

An act to amend Section 14003 of the Corporation Code, to amend Sections 8684.2, 11148.5, 12096.1, 12096.2, 12096.5, 12097, 12097.5, 12098, 12098.4, 12098.7, 12098.10, 12099, 12099.2, 12099.7, 12100.62, 12100.63, 13995.20, 13995.102, 13995.110, 13995.116, 13996.41, 13996.42, 13996.55, 13996.75, 13997, 13997.6, 14998.2, 14998.3, 14998.4, 14998.7, 15363.62, 51298, 53542, 63021, 63021.5, 63088.3, 63088.5, 65923.8, 97012, 99055, 99500, 99503, and 99522 of, and to amend the heading of Chapter 1.6 (commencing with Section 12096) of Part 2 of Division 3 of Title 2 of, the Government Code, to amend Sections 25249.14, 38591.3, 40448.6, and 44272 of the Health and Safety Code, to amend Sections 4630.2, 25464, and 71040 of the Public Resources Code, to amend Section 323.5 of the Public Utilities Code, to amend Sections 17039, 17053.73, 17053.95, 17053.98, 17059.2, 18410.2, 23036, 23626, 23689, 23695, 23698, and 34019 of the Revenue and Taxation Code, and to amend Sections 335, 10200, 10202.5, and 15002 of the Unemployment Insurance Code, relating to state government.



THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 14003 of the Corporations Code is amended to read:
14003. Unless the context otherwise requires, the definitions in this section shall govern the construction of this chapter.

(a) "Bank" means the California Infrastructure and Economic Development Bank.

(b) "Bank board" means the board of directors of the California Infrastructure and Economic Development Bank.

(c) "Board of directors" means the board of directors of the corporation.

(d) "California Small Business Board" means the advisory board established pursuant to Section 14004.1 for the purpose of advising on issues and programs affecting small business.

(e) "California Small Business Finance Center" means the governmental unit within the bank, which is located within the Governor's Office of ~~Business and Economic Development~~, Impact, with the administrative responsibility for the programs and activities authorized pursuant to Section 8684.2 of the Government Code, the Small Business Financial Assistance Act of 2013 (Chapter 6 (commencing with Section 63088) of Division 1 of Title 6.7 of the Government Code), and this chapter.

(f) "Corporation" means any nonprofit California small business financial development corporation created pursuant to this chapter, or pursuant to Chapter 1 (commencing with Section 32000) of Division 15.5 of the Financial Code.

(g) "Directives and requirements" means a document adopted by the bank board setting forth policy direction as well as key rules governing a particular subject area.

(h) "Executive director" means the executive director of the California Infrastructure and Economic Development Bank.

(i) "Expansion fund" means the California Small Business Expansion Fund authorized pursuant to Section 63089.5 of the Government Code.

(j) "Financial company" means banking organizations, including national banks and trust companies, savings and loan associations, certified community development financial institutions, microbusiness lenders, state insurance companies, mutual insurance companies, and other public and private banking, lending, retirement, and insurance organizations.

(k) "Financial institution" means regulated banking organizations, including national banks and trust companies authorized to conduct business in the state and state-chartered commercial banks, trust companies, credit unions, and savings and loan associations.

(l) "Financial product" means the type of financial assistance described in Section 63088.5 of the Government Code or that the California Small Business Finance Center or a small business financial development corporation is otherwise authorized to provide.

(m) "Loan committee" means a committee appointed by the board of directors of a corporation to determine the course of action on a loan application pursuant to Chapter 6 (commencing with Section 63088) of Division 1 of Title 6.7 of the Government Code.

(n) "Microbusiness lender" means a microbusiness lender as defined in Section 13997.2 of the Government Code.



(o) "Program manager" means the manager of the California Small Business Finance Center as designated to this title by the executive director of the bank.

(p) "Trust fund" means the money from the expansion fund that is held in trust by a financial institution or financial company. A trust fund is not a deposit of state funds and is not subject to the requirements of Section 16506 of the Government Code.

(q) "Trust fund account" means an account within the trust fund that is either allocated to a particular corporation or shared by multiple corporations for the purpose of paying loan defaults and claims on bond guarantees or other financial products and program uses provided in this chapter.

SEC. 2. Section 8684.2 of the Government Code is amended to read:

8684.2. (a) It is the intent of the Legislature:

(1) To provide the Governor with appropriate emergency powers in order to enable utilization of available emergency funding to provide guarantees for interim loans to be made by lending institutions, in connection with relief provided for those persons affected by disasters or a state of emergency in affected areas during periods of disaster relief assistance, for the purpose of supplying interim financing to enable small businesses to continue operations pending receipt of federal disaster assistance.

(2) That the Governor should utilize this authority to prevent business insolvencies and loss of employment in areas affected by these disasters.

(b) In addition to the allocations authorized by Section 8683 and the loan guarantee provisions of Section 63089.90, the Governor may allocate funds made available for the purposes of this chapter, in connection with relief provided, in affected areas during the period of federal disaster relief, to the Small Business Expansion Fund for use by the California Infrastructure and Economic Development Bank, pursuant to Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code and Chapter 6 (commencing with Section 63088) of Division 1 of Title 6.7 of this code, to provide guarantees for low-interest interim loans to be made by lending institutions for the purpose of providing interim financing to enable small businesses that have suffered actual physical damage or significant economic losses, as a result of the disaster or state of emergency for which funding under this section is made available, to continue or resume operations pending receipt of loans made or guaranteed by the federal Small Business Administration. The maximum amount of any loan guarantee funded under this paragraph shall be limited by the directives and requirements. Each loan guarantee shall not exceed 95 percent of the loan amount, except that a loan guarantee may be for 100 percent of the loan amount if the applicant can demonstrate that access to business records pertinent to the loan application has been precluded by official action prohibiting necessary reentry into the affected business premises or that those business records pertinent to the loan application have been destroyed. The term of the interim loan shall be determined by the lending institution providing the loan or shall be made payable on the date the proceeds of a loan made or guaranteed by the federal Small Business Administration with respect to the same damage or loss are made available to the borrower, whichever event first occurs.

(c) Loan guarantees for which the initial 12-month term has expired and for which an application for disaster assistance funding from the federal Small Business Administration is still pending may be extended until the federal Small Business Administration has reached a final decision on the application. Applications for guarantees of interim loans shall be processed in an expeditious manner. Wherever



possible, lending institutions shall fund nonconstruction loans within 60 calendar days of application. Loan guarantees for loans that have been denied funding by the federal Small Business Administration, may be extended by the financial institution provided that the loan is for no longer than a maximum of seven years, if the business demonstrates the ability to repay the loan with an extended loan term, and a new credit analysis is provided. All loan guarantees whose term has been extended under this provision shall be repaid in installments of principal and interest, and be fully amortized over the term of the loan. Nothing in this section shall preclude the lender from charging reasonable administrative fees in connection with the loan.

(d) Allocations pursuant to this section shall, for purposes of all provisions of law, be deemed to be for extraordinary emergency or disaster response operation costs, as provided in Section 8690.6, incurred by state employees assigned to work on the guarantees authorized by this section.

(e) The California Infrastructure and Economic Development Bank, which is located within the Governor's Office of ~~Business and Economic Development~~, Impact, may adopt directives and requirements to implement the disaster loan guarantee program authorized by this section.

(f) As long as there are any outstanding small business disaster loan guarantees, as authorized by Section 8684.2 or 63089.90, the bank shall provide a report to the Legislature on loan guarantees approved and rejected by gender, ethnic group, type of business and location, and each participating loan institution. The report may be combined with the report required in Section 63089.98.

SEC. 3. Section 11148.5 of the Government Code is amended to read:

11148.5. (a) A state agency that significantly regulates small business or that significantly impacts small business shall designate at least one person who shall serve as a small business liaison. The agency shall utilize existing personnel and resources to perform the duties of small business liaison.

(b) A state agency that significantly regulates small business or that significantly impacts small business shall widely publicize the position of small business liaison in appropriate agency publications and by prominently displaying the name and contact information of the small business liaison on the agency's ~~Web site~~ internet website if the agency has a ~~Web site~~ an internet website.

(c) The small business liaison shall be responsible for all of the following:

(1) Receiving and responding to complaints received by the agency from small businesses.

(2) Providing technical advice and assisting small businesses in resolving problems and questions regarding compliance with the agency's regulations and relevant statutes.

(3) Reporting small business concerns and, if appropriate, reporting recommendations to the agency secretary or to the agency head, as defined in Section 11405.40.

(4) Reviewing and updating, on a semiannual basis, content on the ~~agency Web site~~ agency's internet website that is accessible through the small business link provided on the State of California ~~Internet~~ internet portal pursuant to Section 11541.5.

(5) Assisting the agency secretary, department director, or executive officer, as applicable, in ensuring that the procurement and contracting processes of the applicable entity are administered in order to meet or exceed the 25 percent small business



participation goal, and developing and sharing innovative procurement and contracting practices from the public and private sectors to increase opportunities for small businesses.

(d) The small business liaison shall not advocate for or against the adoption, amendment, or repeal of any regulation or intervene in any pending investigation or enforcement action.

(e) A state agency that significantly regulates small business or that significantly impacts small business shall notify the Office of Small Business Advocate within the Governor's Office of ~~Business and Economic Development~~ Impact and the Department of General Services of each of the following:

(1) The name and contact information of the person or persons who have been designated as the agency's small business liaison, on or before March 1, 2018.

(2) An occurrence of a vacancy in the position of small business liaison, within 15 working days of the occurrence of the vacancy. The state agency shall designate a small business liaison within three months after providing notice of the vacancy.

(f) For purposes of this section, "small business" has the same meaning as set forth in Section 11342.610.

SEC. 4. The heading of Chapter 1.6 (commencing with Section 12096) of Part 2 of Division 3 of Title 2 of the Government Code is amended to read:

CHAPTER 1.6. GOVERNOR'S OFFICE OF ~~BUSINESS AND ECONOMIC DEVELOPMENT~~ IMPACT

SEC. 5. Section 12096.1 of the Government Code is amended to read:
12096.1. For purposes of this chapter:

(a) "Office" means the Governor's Office of ~~Business and Economic Development~~ Impact.

(b) "Director" means the Director of the Governor's Office of ~~Business and Economic Development~~ Impact.

SEC. 6. Section 12096.2 of the Government Code is amended to read:
12096.2. (a) The Governor's Office of ~~Business and Economic Development~~ Impact, also known as "~~GO-Biz~~," "O.E.I.," is hereby established in state government within the Governor's office. The office shall be under the direct control of a director, who shall be responsible to the Governor.

(b) The Governor shall appoint the Director of the Governor's Office of ~~Business and Economic Development~~ Impact who shall perform all duties, exercise all powers, assume and discharge all responsibilities, and carry out and effect all purposes vested by law in the office, including contracting for professional or consultant services in connection with the work of the office.

(c) The salary of the Director of the Governor's Office of ~~Business and Economic Development~~ Impact shall be fixed pursuant to Section 12001.

(d) Whenever any reference to the "Governor's Office of Business and Economic Development," or "GO-Biz," appears in any statute, regulation, contract, grant agreement, or in any other code, the reference shall be deemed to refer to the Governor's Office of Economic Impact.

SEC. 7. Section 12096.5 of the Government Code is amended to read:
12096.5. (a) The California Business Investment Services Program is hereby created within the Governor's Office of ~~Business and Economic Development~~ Impact.



(b) The program shall be under the direct authority of the director.

(c) The purpose of the program is to serve employers, corporate executives, business owners, and site location consultants who are considering California for business investment and expansion.

(d) In implementing the program, the director shall establish and implement a process for convening teams on key business development situations, including, but not limited to, attracting new businesses, relocation of large manufacturers, or the closure of a large business employer.

(e) In implementing the program, the director shall work cooperatively with local, regional, federal, and other state public and private marketing institutions and trade organizations in attracting, retaining, and helping businesses grow and be successful in California.

SEC. 8. Section 12097 of the Government Code is amended to read:

12097. (a) The Permit Assistance Program is hereby created within the Governor's Office of ~~Business and Economic Development~~ Impact.

(b) The program shall do all of the following:

(1) Provide permitting and regulatory compliance assistance to businesses.

(2) Assist businesses in accessing information and resources related to permitting and regulatory compliance.

(3) Provide mediation and third-party neutral facilitation to resolve conflicts between applicants and permitting and regulatory entities.

(4) Work with federal, state, regional, and local permitting and regulatory entities to exchange best practices and implement improvements to modernize permitting processes.

(5) Manage and regularly update the office's ~~Internet Web site~~ internet website pursuant to Section 12097.1.

(c) The program shall work cooperatively with local, regional, federal, and other state public agencies and private sector business and economic development organizations.

(d) Notwithstanding Section 10231.5, the Governor's Office of ~~Business and Economic Development~~ Impact shall report to the Governor and the Legislature annually on the activities and outcomes of the program.

SEC. 9. Section 12097.5 of the Government Code is amended to read:

12097.5. (a) (1) The Governor's Office of ~~Business and Economic Development~~ Impact is hereby authorized to develop content on its ~~Internet Web site~~ internet website or through other mediums to be used for public dissemination, through outreach activities, in order to provide information and resources to inform the general public about place-based and other geographically targeted economic development programs, including, but not limited to, federal Promise Zones within California that are designated by the United States Department of Housing and Urban Development; and Opportunity Zones designated by the United States Treasury, pursuant to Sections 1400Z-1 and 1400Z-2 of the Internal Revenue Code.

(2) The information and resources shall include, but not be limited to, how the local jurisdictions or census tracts were created, where locals and investors may get additional information, and updates regarding federal programs as that information becomes available.



(b) The Governor's Office of ~~Business and Economic Development Impact~~ shall convene, at least annually, representatives from various programs and agencies across the state and from various federal programs and agencies for the purpose of discussing how California can leverage Promise Zones and Opportunity Zones to meet state and local community and economic development needs. The convention topics shall include, but not be limited to, discussions on enhanced engagement opportunities and targeted outreach to assist designated areas in their efforts to access state resources and services.

(c) As used in this section:

(1) "California Opportunity Zone" means a census tract in this state that has been designated by the United States Treasury as an Opportunity Zone, pursuant to Sections 1400Z-1 and 1400Z-2 of the Internal Revenue Code.

(2) "California Promise Zone" means a community in this state that has been designated by the United States Department of Housing and Urban Development as a Promise Zone.

SEC. 10. Section 12098 of the Government Code is amended to read:

12098. (a) The Legislature finds and declares that:

(1) Small businesses serve as economic engines to the California economy by being the most effective net new job generators, supporting California's access to global markets, serving as a key tool for supporting upward mobility, and helping to distribute economic benefits throughout the state.

(2) It is in the public interest to aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise and maintain a healthy state economy.

(b) In order to advocate the causes of small business and to provide small businesses with the information they need to survive in the marketplace, there is created within the Governor's Office of ~~Business and Economic Development Impact~~ the Office of Small Business Advocate, which shall be led by the Small Business Advocate.

(c) The Small Business Advocate shall be considered an advisor on key issues before the state, and the inclusion of the Small Business Advocate in cabinet- and department-level discussions that potentially impact small businesses is encouraged.

SEC. 11. Section 12098.4 of the Government Code is amended to read:

12098.4. (a) Each agency of the state shall furnish to the advocate the reports, documents, and information that are public records and that the advocate deems necessary to carry out ~~his or her~~ their functions under this chapter.

(b) The advocate shall prepare and submit a written annual report to the Governor and to the Legislature that describes the activities and recommendations of the office, including an evaluation of the efforts of state agencies and, where appropriate, specific departments, that significantly regulate small businesses to assist minority and other small business enterprises, and making recommendations that may be appropriate to assist the development and strengthening of minority and other small business enterprises.

(c) (1) The advocate may establish a centralized interactive telephone referral system and ~~Internet Web site~~ internet website to assist small and minority businesses in their operations, including governmental requirements, such as taxation, accounting, and pollution control, and to provide information concerning the agency from which more specialized assistance may be obtained.



(2) The advocate shall post on the ~~GO-Biz Internet Web site~~ O.E.I. internet website or the advocate's ~~Internet Web site~~; internet website:

(A) Information on how to receive assistance in identifying and understanding the state's regulatory requirements. This information shall include:

(i) The name, telephone number, ~~Internet Web site~~, internet website, and email of the small business liaison designated pursuant to Section 11148.5 to assist small businesses with understanding and adhering to the regulatory requirements of the state entities in which they serve.

(ii) The ~~Internet Web site~~ internet website developed and maintained by ~~GO-Biz O.E.I.~~ to identify licensing, permitting, and registration requirements of state agencies, pursuant to the requirements of Section 12097.1

(B) Information on how to receive assistance in certifying as a small business and identifying and participating in state procurement opportunities. This information shall include:

(i) The name, telephone number, ~~Internet Web site~~, internet website, and email of the small business advocate designated pursuant to Section 14846 to assist small businesses in contracting with the state entities in which they serve.

(ii) Contact information for the Office of Small Business and Disabled Veteran Business Enterprise Services established pursuant to Section 14839.

(C) Information about emergency preparedness, responses to emergencies, and recovery strategies for small businesses. This information shall be developed and updated in consultation with relevant state agencies and emergency responders.

(D) A link to the Energy Upgrade California ~~Internet Web site~~ internet website to assist small business owners in accessing information on the availability of various programs promoting the efficient use of energy.

(E) Information on programs administered through the statewide network of small business financial development corporations. Programs covered shall include loan guarantees, direct lending, surety bond guarantees, and disaster loans. Information shall be presented in a manner appropriate to address the needs of both small businesses and existing and potential financial institutions and financial companies.

(F) Information on how to identify and access services provided through the statewide network of small business technical assistance centers, including, but not limited to, small business development centers, women business centers, veteran business outreach centers, procurement technical assistance centers, and the Manufacturing Extension Partnership.

SEC. 12. Section 12098.7 of the Government Code is amended to read:

12098.7. Notwithstanding any other law, effective June 30, 2014, the Economic Adjustment Assistance Grant funded through the United States Economic Development Administration under Title IX of the Public Works and Economic Development Act of 1965 (Grant No. 07-19-02709 and 07-19-2709.01) shall be transferred to the Valley Economic Development Center, Inc. The State of California is the dismissed grantee and the Valley Economic Development Center, Inc., shall be the successor grantee. All responsibilities and authorities associated with these funds shall be transferred from the Governor's Office of ~~Business and Economic Development~~ Impact to the Valley Economic Development Center, Inc., pursuant to the terms and conditions agreed to by all parties, including the United States Economic Development Administration, the Governor's Office of ~~Business and Economic Development~~, Impact, and the Valley



Economic Development Center, Inc., pursuant to the Offer and Acceptance of Award Amendment For Transfer of Award entered into by the parties on June 17, 2014.

SEC. 13. Section 12098.10 of the Government Code is amended to read:

12098.10. (a) The Made in California Program, a public and private collaboration, is hereby created within the Governor's Office of Business and Economic Development. ~~Impact.~~ The purposes of the program are to encourage consumer product awareness and to foster purchases of high-quality products made in this state.

(b) (1) The office shall develop a program that permits a company to represent that a product is made in this state. To be eligible under the program, a company shall establish all of the following:

(A) The product is substantially made by an individual located in the state.

(B) The finished product could lawfully use a "Made in U.S.A." label and not violate Section 17533.7 of the Business and Professions Code.

(2) For purposes of this section, "substantially made" means completing an act that adds at least 51 percent of a final product's wholesale value by manufacture, assembly, fabrication, or production to create a final, recognizable product. "Substantially made" does not include the act of packaging a product.

(c) The program shall not apply to those agricultural products subject to the Buy California Program described in Section 58750 of the Food and Agricultural Code.

(d) In accordance with the provisions of Chapter 1 (commencing with Section 58601) of Part 2 of Division 21 of the Food and Agricultural Code, the office may issue and make effective a marketing agreement, including, but not limited to, issuance of a Made in California label, and be advised by those California businesses willing to participate in the program on a voluntary basis via funding or in-kind contributions in a manner defined under the agreement.

(e) (1) As part of the Made in California Program, the office shall require each company to register with the office for use of the Made in California label.

(2) The company filing the registration shall submit a qualified third-party certification at least once every three years that the product is made in accordance with this section.

(3) For purposes of this section, "qualified third-party" means an individual, group, or association that possesses a professional license, certification, or other equivalent documentation indicating sufficient training, education, or expertise to perform a regulatory compliance audit.

(4) The office may require a fee to accompany the registration. The fee shall be determined by the office, and shall not exceed the reasonable costs to the office in providing the services for which it is charged, including, but not limited to, the costs to implement the marketing program. Proceeds from the fee shall be deposited in the Made in California Fund established in subdivision (h).

(f) The office may accept monetary donations or other donations from businesses, nonprofit organizations, or individuals for the purpose of implementing the Made in California Program. These donations shall be deposited in the Made in California Fund established in subdivision (h).

(g) (1) Notwithstanding Section 10231.5, the office shall report to the Legislature on January 1, 2015, and each successive January 1, regarding its expenditures, progress, and ongoing priorities with this program.



(2) The plan submitted to the Legislature pursuant to paragraph (1) shall be submitted pursuant to Section 9795.

(h) The Made in California Fund is hereby created as a fund within the State Treasury. Notwithstanding Section 13340, funds deposited and maintained in the Made in California Fund that were donated pursuant to subdivision (f) are continuously appropriated, without regard to fiscal years, to the director, for the purposes of implementing the Made in California Program. Any other funds deposited and maintained in the Made in California Fund are available, subject to appropriation by the Legislature, for purposes of implementing the program.

SEC. 14. Section 12099 of the Government Code is amended to read:

12099. The Legislature finds and declares all of the following:

(a) Job creation through rapid technology commercialization is a vital part of the state's economic well-being, as identified in a January 2012 symposium held by the Brookings Institute.

(b) Innovation and tech-driven entrepreneurial activity coupled with venture investment creates small business startups and expansions at an accelerated rate, which leads to significant employment opportunities that contribute to the state's financial health and economic competitiveness.

(c) In order to maintain a healthy state economy and to aid communities, entrepreneurship and technology-based small businesses must be stimulated and supported.

(d) The Innovation Hubs (iHubs) are operated in California through a cooperative agreement between the Governor's Office of ~~Business and Economic Development~~ (GO-Biz) Impact (O.E.I.) and geographically distinct regions, all of which are partnered with public universities, community college districts, local governments, research institutions, industry, angel and venture capital networks, and traditional financial institutions. The iHubs are California's premier resource for facilitating the success of entrepreneurial and small technology startups that can grow California's economy by assisting business owners in creating and retaining jobs, increasing sales and profits, securing business financing, and creating a successful new business climate in the state.

(e) The iHubs' economic impact in fostering entrepreneurial business activity leads to job creation and an innovation in the economy by establishing a formal partnership between the office and the iHub program.

(f) It is necessary to establish a fund that would enable the office to obtain funding from private sources, for appropriation to state designated iHubs, iHub partner organizations, and within state iHub-designated regions for the purpose of establishing, promoting, and enhancing California's innovation and entrepreneurship ecosystem.

SEC. 15. Section 12099.2 of the Government Code is amended to read:

12099.2. For purposes of this article, the following terms shall be defined as follows:

(a) "Applicant" means one or more entities that submit an application to ~~GO-Biz~~ O.E.I. Eligible applicants shall be one or more of the following:

- (1) A fully accredited institution of higher education.
- (2) A private nonprofit corporation engaged in economic development activities.
- (3) A county or municipality in this state that has a preexisting economic development department or program or both.



(4) A public economic development institution such as a workforce investment board or an economic development corporation.

(b) "Innovation Hub" or "iHub" means a partnership between interrelated firms, local governments, economic development organizations, educational entities, and industries that collectively drive economic growth within a defined geographic area.

(c) "iHub coordinator" means the individual or entity agreed to by the iHub partnership that is responsible for all of the following:

(1) Implementing the objectives of the iHub.

(2) Serving as the primary agent responsible for coordinating services and resources and maintaining the iHub partnership.

(3) Serving as the primary liaison to the state and the office.

SEC. 16. Section 12099.7 of the Government Code is amended to read:

12099.7. The Innovation Accelerator Account is hereby created within the California Economic Development Fund in the State Treasury. Subject to the approval of the Department of Finance, all moneys collected and received by the Governor's Office of ~~Business and Economic Development~~ Impact for California Innovation Initiatives from gifts, bequests, or donations shall be deposited in the Innovation Accelerator Account. Notwithstanding Section 13340, the moneys in the account are continuously appropriated to the office to be used for California Innovation Initiatives pursuant to the terms of the gift, bequest, or donation.

SEC. 17. Section 12100.62 of the Government Code is amended to read:

12100.62. Unless the context otherwise requires, the following definitions in this section shall govern the construction of this article:

(a) "California Small Business Development Center Program" is comprised of the five regional networks of small business development centers operating in the state pursuant to a cooperative agreement between the fiscal agent and the federal Small Business Administration.

(b) "Committed nonstate local cash match" means funding awarded by a nonstate local source to a federal small business technical assistance center through a letter of intent, notice of award, or cash deposit.

(c) "Director" means the Director of the Governor's Office of ~~Business and Economic Development~~ Impact.

(d) "Federal small business technical assistance center" means an organization that contracts with a federal funding partner to operate a small business development center, a women's business center, a veterans business outreach center, a manufacturing extension partnership center, a minority business development center, a procurement technical assistance center, or a similar program within this state to support small businesses.

(e) "Federal funding partner" means the federal Small Business Administration, federal Department of Commerce, federal Department of Defense, or any other federal agency with the authority to administer a small business technical assistance program in this state.

(f) "Fiscal agent" means the entity with which a federal funding partner contracts to administer small business technical assistance programs within a state or district. The fiscal agent shall be directly accountable to the federal funding partner for all aspects of the specified small business technical assistance program, including staffing, programming, outreach, securing any required matching funds to draw down federal



funds, and reporting performance outcomes to operate the program in the fiscal agent's area of responsibility.

(g) ~~"GO-Biz"~~ "O.E.I." or "office" means the Governor's Office of ~~Business and Economic Development Impact~~.

(h) "Local cash match" means nonfederal funds that are spent on eligible program costs.

(i) "Manufacturing extension partnership center" means a California contractor recognized by the federal National Institute of Standards and Technology pursuant to the Omnibus Trade and Competitiveness Act of 1988 (Public Law 100-418), at which small manufacturers can obtain information and assistance on new technology acceleration, supply chain management, lean processing, export development, sustainable manufacturing practices, and other issues related to innovation.

(j) "Minority business development center" means an entity or physical location, recognized by the federal Department of Commerce, from which a minority-owned small business may receive consulting and technical services to expand to new markets, both foreign and domestic.

(k) "Minority business export center" means an entity or physical location, recognized by the federal Department of Commerce, from which a minority-owned small business may receive consulting and technical services to increase access to capital, contracts, and foreign markets.

(l) "Procurement act" means Chapter 142 (commencing with Section 2411) of Part IV of Subtitle A of Title 10 of the United States Code, which governs the Procurement Technical Assistance Cooperative Agreement program, administered by the federal Department of Defense.

(m) "Procurement technical assistance center" means an entity or physical location, recognized by the federal Department of Defense, from which a small business owner may receive free training on a variety of topics, including starting, operating, and expanding a small business.

(n) "Program" means the California Small Business Development Technical Assistance Expansion Program created pursuant to Section 12100.63 and administered in accordance with this article.

(o) "Small business act" means the Small Business Development Center Act of 1980 (Public Law 96-302), and any amendments to that act, which authorizes the Small Business Development Center Program, administered by the federal Small Business Administration.

(p) "Small business development center" means to an entity or physical location, recognized by the federal Small Business Administration, from which a small business owner or an aspiring entrepreneur may receive free one-on-one consulting and low at-cost training on a variety of topics, including starting, operating, and expanding a small business.

(q) "Veteran's business act" means Section 657b of Title 15 of the United States Code, which establishes the Office of Veterans Business Development and governs veteran business outreach centers, administered by the federal Small Business Administration.

(r) "Veterans business center" means an entity or physical location, recognized by the federal Small Business Administration, from which a small business veteran owner or an aspiring veteran entrepreneur can receive free one-on-one consulting and



low at-cost training on a variety of topics including starting, operating, and expanding a small business.

(s) "Women's business act" means the Women's Business Ownership Act of 1988 (Public Law 100-533), and any amendments to that act, administered by the federal Small Business Administration.

(t) "Women's business center" means an entity or physical location, recognized by the federal Small Business Administration, from which a small business owner or an aspiring entrepreneur can receive free one-on-one consulting and low at-cost training on a variety of topics including starting, operating, and expanding a small business.

SEC. 18. Section 12100.63 of the Government Code is amended to read:

12100.63. (a) The California Small Business Technical Assistance Expansion Program is hereby created within the office.

(b) The program shall be under the direct authority of the director.

(c) The purpose of the program is to assist small businesses through free or low-cost one-on-one consulting and low-cost training by entering into grant agreements with one or more federal small business technical assistance centers.

(d) In implementing the program, the office shall consult with local, regional, federal, and other state public and private entities that share a similar mission to support the needs of small businesses in California.

(e) An applicant pursuant to this article shall be a federal small business technical assistance center operating as a group, including a regional or statewide network, or as an individual center.

(1) A federal small business technical assistance center operating as a group consisting of centers organized under a coordinating administrative or fiscal entity shall apply by submitting a single consolidated application to the office.

(2) A federal small business technical assistance center operating as an individual center shall apply by submitting a single application for that center to the office.

(f) The office shall administer the program to provide grants to expand the capacity of small business development technical assistance programs in California, administered by and primarily funded by federal agencies, that provide one-on-one confidential consulting and training to small businesses and entrepreneurs in this state. An applicant shall be eligible to participate in the program if the office determines that the applicant meets all of the following criteria:

(1) At the time of applying for funds, the applicant has an active contract with a federal funding partner to administer a program in this state, or has received a letter of intent from a federal funding partner to administer a federal small business technical assistance center program in this state within the next fiscal year.

(2) (A) The applicant provided a plan of action and commitment to fully draw down all of the federal funds available using local cash match and state funds not described in Section 12100.65 during the duration of the award period. ~~GO-Biz O.E.I.~~ may request that the applicant provide details relating to the source and amount of these nonstate local match funds.

(B) If the applicant is a new federal small business technical assistance center, the applicant has demonstrated the ability to fully draw down substantially all federal funds available to it.



(3) The requested funding amount does not exceed the total federal award specified in the contract with the federal funding partner contract, but in any event is no less than twenty five thousand dollars (\$25,000).

(4) The applicant seeks funding for one or more years, but no more than five years in duration.

(5) The grant agreements authorized by this article are not subject to the model contract provisions developed pursuant to Chapter 14.27 (commencing with Section 67325) of Part 40 of Division 5 of Title 3 of the Education Code.

(6) The applicant has a fiscal agent that is able to receive nonfederal funds.

(g) The office shall issue a request for proposal for grants under the program, which may contain the following information:

(1) The eligibility requirements described in subdivision (e).

(2) The available funding range.

(3) Funding instruments.

(4) The local cash match requirement described in subdivision (f).

(5) Operational capacity.

(6) The duration of the program.

(7) The start date of the program.

(8) Narrative requirements.

(9) Reporting requirements.

(10) Required attachments.

(11) Submission requirements.

(12) Application evaluation criteria.

(13) An announcement of an awards timeline.

(h) (1) The office shall evaluate applications received based on the following factors:

(A) The proposed use of the requested funding, including the specificity, measurability, and ability of the applicant to document and achieve the goals and objectives identified in its application.

(B) The proposed management strategy of the applicant to achieve its goals and objectives identified in its application.

(C) The applicant's ability to complement and leverage the work of other local, state, federal, nonprofit, or private business technical assistance resource providers.

(D) The applicant's historical performance with federal funding partner contracts and the strength of its fiscal controls.

(2) The office shall prioritize funding for applications that best meet the factors listed in paragraph (1) and give preference to applications that propose new or enhanced services to underserved business groups, including women, minority, and veteran-owned businesses, and businesses in low-wealth, rural, and disaster-impacted communities included in a state or federal emergency declaration or proclamation.

(i) State funds provided pursuant to the program shall be used to expand consulting and training services through existing and new centers, including satellite offices. State funds provided pursuant to the program shall not supplant nonstate local cash match dollars included in a federal small business technical assistance center's plan described in subparagraph (A) of paragraph (2) of subdivision (f).

SEC. 19. Section 13995.20 of the Government Code is amended to read:



13995.20. Unless the context otherwise requires, the definitions in this section govern the construction of this chapter.

(a) "Appointed commissioner" means a commissioner appointed by the Governor pursuant to paragraph (2) of subdivision (b) of Section 13995.40.

(b) "Assessed business" means a person required to pay an assessment pursuant to this chapter, and until the first assessment is levied, any person authorized to vote for the initial referendum. An assessed business shall not include a public entity or a corporation when a majority of the corporation's board of directors is appointed by a public official or public entity, or serves on the corporation's board of directors by virtue of being elected to public office, or both.

(c) "Commission" means the California Travel and Tourism Commission.

(d) "Director" means the Director of the Governor's Office of ~~Business and Economic Development~~. Impact.

(e) "Elected commissioner" means a commissioner elected pursuant to subdivision (d) of Section 13995.40.

(f) "Industry category" means the following classifications within the tourism industry:

- (1) Accommodations.
- (2) Restaurants and retail.
- (3) Attractions and recreation.
- (4) Transportation and travel services, other than passenger car rental.
- (5) Passenger car rental.

(g) "Industry segment" means a portion of an industry category. For example, motor home rentals are an industry segment of the transportation and travel services industry category.

(h) "Maximum assessment" means a dollar amount, adopted by the commission, over which an assessed business shall not be required to pay. The commission may adopt differing amounts of maximum assessment for each industry category or industry segment.

(i) "Office" means the Office of Tourism, also popularly referred to as the Division of Tourism, within the Governor's Office of ~~Business and Economic Development~~. Impact.

(j) "Person" means an individual, public entity, firm, corporation, association, or any other business unit, whether operating on a for-profit or nonprofit basis.

(k) "Referendum" means any vote by mailed ballot of measures recommended by the commission and approved by the director pursuant to Section 13995.60, except for the initial referendum, which shall consist of measures contained in the selection committee report, discussed in Section 13995.30.

(l) "Selection committee" means the Tourism Selection Committee described in Article 3 (commencing with Section 13995.30).

SEC. 20. Section 13995.102 of the Government Code is amended to read:

13995.102. (a) The Los Angeles County Board of Supervisors shall appoint the Los Angeles County Tourism Selection Committee to consist of persons, or principals of entities, from within the industry categories that are to be assessed, based upon recommendations from established industry associations and destination marketing organizations within Los Angeles County.



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(b) The county selection committee shall consist of 24 representatives, with no fewer than three from each industry category. The county selection committee shall appoint a chair and any other officers it deems advisable.

(c) The county selection committee shall convene within 150 days after the effective date of this chapter. Not later than 150 days following the initial convening of the committee, the committee shall issue a report and recommendations listing the following:

(1) Industry segments that will be included in the initial referendum.

(2) Percentage of funds to be levied against each industry category and segment. To the extent possible, the percentages shall be based upon quantifiable industry data. Funds to be levied against businesses shall bear an appropriate relationship to the benefit derived from travel and tourism by those businesses.

(3) Assessment methodology and rate of assessment within each industry segment, that may include, but not be limited to, a percentage of gross revenue or a per transaction charge.

(4) Businesses, if any, within a segment to be assessed at a reduced rate, which may be set at zero, whether temporarily or permanently, because they do not sufficiently benefit from travel and tourism.

(5) Initial slate of proposed elected commissioners. The number of commissioners elected from each industry category shall be determined by the weighted percentage of assessments from that category.

(d) Nothing in this section shall preclude the selection committee from setting the assessment rate for a business within a segment at a lower rate, which may be set at zero, than a rate applicable to other businesses within that segment if the selection committee makes specific findings that the lower rate should apply due to unique geographical, financial, or other circumstances affecting the business. No business for which a zero assessment rate is set pursuant to this subdivision shall be sent a ballot or entitled to participate in the initial referendum, or in any subsequent referendum in which its rate of assessment is set at zero.

(e) The committee members for each industry category, also referred to as a subcommittee, shall prepare a recommendation for the entire committee on how the items specified in subdivision (c) should be determined for the industry segments within their industry category. The recommendations shall not include a discussion of industry category levies, which shall be determined solely by the committee. In the event that the subcommittee cannot agree on one or more of the items specified in subdivision (c), no recommendation shall be given in that category. The recommendations shall be presented to the full committee, which shall address each of the items contained in subdivision (c).

(f) In order to be assessed, an industry segment shall be defined with sufficient clarity to allow for the cost-effective identification of assessed businesses within that segment.

(g) It shall be the responsibility of the county selection committee to advertise widely the selection committee process and to schedule public meetings for potential assessed businesses to provide input to the selection committee.

(h) The selection committee process and report shall be exempt from the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1).



(i) The Los Angeles Convention and Visitors Bureau shall be asked to supply staff support to the county selection committee. The Governor's Office of ~~Business and Economic Development~~ Impact shall not be required to supply staff support to the county selection committee.

SEC. 21. Section 13995.110 of the Government Code is amended to read:

13995.110. (a) No referendum required under this article shall be undertaken until any of the following occurs, whichever is earliest:

(1) A statewide referendum held pursuant to this chapter has obtained a passing vote in the County of Los Angeles.

(2) Two statewide referenda have been held pursuant to this chapter.

(3) July 1, 1998.

(b) Referenda required under this article shall be conducted in a similar manner as provided in Article 6 (commencing with Section 13995.60) as follows:

(1) The county commission shall undertake all duties, and act in all respects, in place of the California Tourism Marketing Commission, and either the county or the county treasurer/tax collector, as designated in this article, shall act in place of the Director of the Governor's Office of ~~Business and Economic Development~~ Impact.

(2) The initial assessment target for the county commission shall be set by the county selection committee.

(3) The first referendum shall be initiated by industry members, with all costs of marketing and promoting of the initial referendum to be provided by the tourism industry.

(4) Each referendum may cover one or more of the following subjects:

(A) Assessment level based upon specified assessment formula.

(B) Amended industry segment allocation formulae.

(C) Percentage allocation of assessments between industry categories and segments.

(D) Election of county commissioners subject to election by referendum.

(E) Termination of the county commission.

(F) Whether to establish, continue, or reestablish an assessment.

(5) The costs of all marketing and promoting of all referenda following the initial referendum shall be paid by the county commission from assessments collected. The county commission may reimburse those who have contributed to the costs of the initial referendum from proceeds raised from assessments collected from the initial referendum.

SEC. 22. Section 13995.116 of the Government Code is amended to read:

13995.116. This article is subject to Article 8 (commencing with Section 13995.80) and Article 9 (commencing with Section 13995.90) except that, as to Article 8, either the county or the county treasurer/tax collector, as designated in this article, shall act in the place of the Director of the Governor's Office of ~~Business and Economic Development~~ Impact in all respects.

SEC. 23. Section 13996.41 of the Government Code is amended to read:

13996.41. (a) The Governor's Office of ~~Business and Economic Development~~ Impact shall develop and implement an International Trade and Investment Program that does all of the following:

(1) Attracts employment-producing direct foreign investment to the state.

(2) Provides support for California businesses in accessing international markets, including assistance to increase California exports.



(3) Engages in other international trade or foreign investment activities assigned by the Governor.

(b) The Director of the Governor's Office of ~~Business and Economic Development~~ Impact may establish and terminate international trade and investment offices outside of the United States as ~~he or she~~ the director determines is appropriate if the requirements of Section 13996.65 are satisfied.

(c) This section shall not be construed to confer powers or impose duties upon the Governor's Office of ~~Business and Economic Development~~ Impact that conflict with any powers conferred or duties imposed upon the Department of Food and Agriculture with respect to the promotion of California agriculture, fish, or forest exports.

(d) The Governor's Office of ~~Business and Economic Development~~ Impact shall develop a conflict-of-interest and gift policy that applies to the Governor's Office of ~~Business and Economic Development~~ Impact and all international trade and investment offices established by it.

(e) Any international trade and investment office established by the Governor's Office of ~~Business and Economic Development~~ Impact may be funded in whole or in part by nonstate funds.

(f) The Governor's Office of ~~Business and Economic Development~~ Impact may contract with a nonprofit entity to operate an international trade and investment office. The contract shall, among other provisions, require the nonprofit entity to provide the Governor's Office of ~~Business and Economic Development~~ Impact information sufficient to satisfy the reporting requirements in subdivision (c) of Section 13997 within 30 days of receipt by the nonprofit entity of each donation used to fund an international trade and investment office.

SEC. 24. Section 13996.42 of the Government Code is amended to read:

13996.42. The Governor's Office of ~~Business and Economic Development~~ Impact may establish an international trade and investment office outside of the United States if both of the following conditions are met:

(a) The country where an international trade and investment office would be located is among those with the greatest potential for direct foreign investment in California, export growth, or both, as determined by the director.

(b) The Director of the Governor's Office of ~~Business and Economic Development~~ Impact has included the new international trade and investment office in the Governor's Office of ~~Business and Economic Development's~~ Impact's current annual program budget and strategy and business plan for the year for the International Trade and Investment Program as required by Section 13996.65.

SEC. 25. Section 13996.55 of the Government Code is amended to read:

13996.55. (a) The Director of the Governor's Office of ~~Business and Economic Development~~ Impact shall provide to the Legislature, not later than July 1, 2019, a strategy for international trade and investment that, at a minimum, includes all of the following:

(1) Policy goals, objectives, and recommendations necessary to implement a comprehensive international trade and investment program for the state. This information shall be provided in a fashion that clearly indicates priority within the overall strategy.



(2) Measurable outcomes and timelines for the goals, objectives, and actions for the international trade and investment program.

(3) Identification of impediments for achieving goals and objectives.

(4) Identification of key stakeholder partnerships that will be used in implementing the strategy.

(5) Identification of options for funding recommended actions.

(6) A current organizational structure for the state administration of international trade and investment policies, programs, and services. The organizational chart may include other state entities that are related to achieving the goals, objectives, and actions identified in the strategy.

(b) (1) The strategy shall be based on current and emerging market conditions and the needs of investors, businesses, and workers to be competitive in global markets.

(2) The strategy shall identify the process the Governor's Office of ~~Business and Economic Development~~ Impact will use to evaluate on an ongoing basis, as appropriate, current workforce, infrastructure, research and development, and other needs of small and large firms, including, but not limited to, highways, logistic hubs, and rail that link businesses with the state's ports of entry and foreign and domestic markets.

(3) The strategy may, to the extent relevant and feasible, be based on existing studies and reports, including, but not limited to, the Goods Movement Action Plan, the California Strategic Workforce Development Plan, the California Export of Recycled Materials Report, the California Five-Year Infrastructure Plan, and the Environmental Goals and Policy Report.

(c) The strategy shall be submitted to the Chief Clerk of the Assembly and the Secretary of the Senate and a notice of its submittal shall be provided to the Speaker of the Assembly, the President pro Tempore of the Senate, and the chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on Business, Professions and Economic Development, or the successor committees with jurisdiction over international trade and economic development programs.

(d) The strategy shall be updated pursuant to the procedures of this section at least once every five years.

SEC. 26. Section 13996.75 of the Government Code is amended to read:

13996.75. The Controller shall not allocate any state funds to the Governor's Office of ~~Business and Economic Development~~ Impact for international trade and investment activities if the strategy for international trade and investment has not been submitted to the Legislature pursuant to subdivision (a) of Section 13996.55 and subdivision (b) of Section 13996.65 by May 1, 2014.

SEC. 27. Section 13997 of the Government Code is amended to read:

13997. (a) With respect to international trade and investment offices funded in whole or in part by nonstate funds pursuant to subdivision (e) of Section 13996.41, all of the following shall apply:

(1) The Governor's Office of ~~Business and Economic Development~~ Impact may accept nonstate moneys, including, but not limited to, federal and private sector funds, for the purposes of operating any international trade and investment office, subject to Title 9 (commencing with Section 81000). A donor shall not donate more than 25 percent of the annual budget of an international trade and investment office in a calendar year. The donor may specify the international trade and investment office for which



the private sector moneys shall be used. The private sector moneys shall be deposited in the Economic Development and Trade Promotion Account, which is hereby established in the Special Deposit Fund (~~Art. (Article 2 (commencing with Section 16370), Ch. 2, Pt. 2, Div. 16370)~~ of Chapter 2 of Part 2 of Division 4) within the State Treasury. Notwithstanding Section 13340, the Director of the Governor's Office of ~~Business and Economic Development Impact~~ may expend moneys in the Economic Development and Trade Promotion Account, without regard to fiscal year, for the purposes of this subdivision. Moneys in the Economic Development and Trade Promotion Account may be allocated to an international trade and investment office, and if so allocated shall be maintained by that office in an account. Records of donations received and expenditures made pursuant to this section shall be subject to public disclosure.

(2) For each donation that it receives to fund an international trade and investment office, the Governor's Office of ~~Business and Economic Development Impact~~ shall post a report on its ~~Internet Web site~~ internet website within 30 days of receiving that donation. The report shall contain all of the following information: name and address of the donor; amount of the donation; date the donation was made; name and address of the entity receiving or using the donation; a brief description of the goods or services provided or purchased, if any; and a description of the specific purpose or event for which the donation was made, if any.

(b) The Governor's Office of ~~Business and Economic Development Impact~~ may accept private moneys for the purposes of promoting international trade and investment events subject to Title 9 (commencing with Section 81000). The donor may specify the international trade and investment event for which the private sector moneys shall be used.

(1) The private sector moneys shall be deposited into the Economic Development and Trade Promotion Account. Notwithstanding Section 13340, the Director of the Governor's Office of ~~Business and Economic Development Impact~~ may expend moneys in the Economic Development Trade Promotion Account without regard to fiscal year, for purposes of this subdivision. Records of donations received and expenditures made pursuant to this section shall be subject to public disclosure.

(2) For each donation that it receives to fund international trade and investment events, the Governor's Office of ~~Business and Economic Development Impact~~ shall post a report on its ~~Internet Web site~~ internet website within 30 days of receiving that donation. The report shall contain the following information: name and address of the donor; amount of the donation; date the donation was made; name and address of the entity receiving or using the donation; a brief description of the goods or services provided or purchased, if any; and a description of the specific purpose or event for which the donation was made, if any.

(c) With respect to international trade and investment offices operated under contract with a nonprofit entity pursuant to subdivision (f) of Section 13996.41:

(1) A donor shall not donate more than 25 percent of the annual budget of an international trade and investment office in a calendar year.

(2) For each donation that it receives to fund an international trade and investment office, the Governor's Office of ~~Business and Economic Development Impact~~ shall post a report on its ~~Internet Web site~~ internet website within 30 days of receiving that donation. The report shall contain the following information: name and address of the



donor; amount of the donation; date the donation was made; name and address of the entity receiving or using the donation; a brief description of the goods or services provided or purchased, if any; and a description of the specific purpose or event for which the donation was made, if any.

(d) Nothing in this section shall affect any requirement of the Political Reform Act (Title 9 (commencing with Section 81000)).

SEC. 28. Section 13997.6 of the Government Code is amended to read:

13997.6. (a) The California Economic Development Fund is hereby created in the State Treasury for the purpose of receiving federal, state, local, and private economic development funds, and receiving repayment of loans or grant proceeds and interest on those loans or grants.

(b) Upon appropriation by the Legislature, moneys in the fund may be expended by the Governor's Office of ~~Business and Economic Development~~ Impact to provide matching funds for loans or grants to public agencies, nonprofit organizations, and private entities, and for other economic development purposes, consistent with the purposes for which the moneys were received.

SEC. 29. Section 14998.2 of the Government Code is amended to read:

14998.2. (a) There is in the Governor's Office of ~~Business and Economic Development~~ Impact, the California Film Commission. The commission shall have a Board of Commissioners consisting of 26 members. The Governor shall appoint 13 members, the Senate Committee on Rules shall appoint four members, the Speaker of the Assembly shall appoint four members, and five members shall be ex officio. The members of the board appointed by the Governor may include representatives of state and local government, motion picture development companies, employee and professional organizations composed of persons employed in the motion picture industry, and other appropriate members of this or related industries.

All members of the board, except legislators who are appointed either by the Senate Committee on Rules or by the Speaker of the Assembly, shall serve at the pleasure of the appointing authority for a term of two years from the effective date of the appointment.

(b) (1) One of the members appointed by the Senate Committee on Rules shall, and another one may, be a Senator and one of the members appointed by the Speaker of the Assembly shall, and another one may, be a Member of the Assembly. These persons shall be appointed for terms of four years.

(2) Of the legislators appointed to the board, no more than three legislators from the same political party may be appointed to or serve on the board at the same time.

(c) Any legislator appointed shall serve as a voting member of the board and shall meet with, and participate in the activities of, the board to the extent that participation is not incompatible with ~~his or her~~ their position as a Member of the Legislature, but shall only serve in that capacity while concurrently serving as a Member of the Legislature. Whenever a legislator vacates an office, the appointing power shall appoint another person for a new full term.

(d) Eight of the 13 members appointed by the Governor shall be as follows:

(1) One shall be a member or employee of a union or guild of motion picture artists.

(2) One shall be a member or employee of a union or guild representing motion picture craftsmen, technicians, or photographers.



- (3) Two shall be from major motion picture studios.
- (4) One shall be a member of the city council or a member of the county board of supervisors of a city or a county with a population of at least two million people.
- (5) One shall be a member of the city council or a member of the county board of supervisors of a city or a county with a population of less than two million people.
- (6) (A) One shall be an independent filmmaker.
- (B) For purposes of this section, "independent filmmaker" means a producer of a film that meets all of the following criteria:
- (i) Has a running time of at least 75 minutes.
 - (ii) Is intended for commercial distribution to a motion picture theater, directly to the home video market, directly to television, or through the ~~Internet~~, internet.
 - (iii) Is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.
- (7) (A) One shall be a member who is an independent commercial producer, or employee of a trade association representing independent commercial producers.
- (B) For purposes of this section, "independent commercial producer" means a producer who owns or is employed by a company that is principally engaged in the physical or digital production of advertising content for advertisers, has control over the selection of production location, deployment, or management of the production equipment, and directly employs the production crew as the person that has control over the hiring and firing of the crew for a commercial production. The company shall not be wholly or partly owned or operated by an advertising agency or an advertiser or be publicly traded. The company shall also not produce any production to which the recordkeeping requirements of Section 2257 of Title 18 of the United States Code apply.
- (e) The Director of Transportation shall serve as an ex officio nonvoting member.
- (f) The Director of Parks and Recreation shall serve as an ex officio nonvoting member.
- (g) The Commissioner of the California Highway Patrol shall serve as an ex officio nonvoting member.
- (h) The State Fire Marshal shall serve as an ex officio nonvoting member.
- (i) The director of the commission shall serve as an ex officio nonvoting member.
- SEC. 30. Section 14998.3 of the Government Code is amended to read:
- 14998.3. (a) The board shall submit a list of recommended candidates for the position of Director of the California Film Commission to the Governor for consideration. The Governor shall appoint the director.
- (b) The director of the commission shall receive a salary to be determined by the Department of Human Resources.
- (c) The director of the Governor's Office of ~~Business and Economic Development, Impact~~, or ~~his or her~~ the director's designee, shall act as the director during the absence from the state or other temporary absence, disability, or unavailability of the director, or during a vacancy in that position.
- SEC. 31. Section 14998.4 of the Government Code is amended to read:
- 14998.4. (a) The board shall meet at least three times per year and shall select a chairperson and a vice chairperson from among its members. The vice chairperson shall act as chairperson in the chairperson's absence.



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(b) Each member of the board shall serve without compensation but shall be reimbursed for traveling outside the county in which ~~he or she~~ the member resides to attend meetings.

(c) The board shall work to encourage media production in California and to that end, shall exercise all of the powers provided in this chapter.

(d) The board shall make recommendations to the Legislature, the Governor, the Governor's Office of ~~Business and Economic Development~~, Impact, and other state agencies on legislative or administrative actions that may be necessary or helpful to maintain and improve the position of the state's motion picture industry in the national and world markets.

(e) In addition, subject to the provision of funding appropriated for these purposes, the board shall do all of the following:

(1) Adopt guidelines for a standardized permit to be used by state agencies and the director.

(2) Approve or modify the marketing and promotion plan developed by the director pursuant to subdivision (d) of Section 14998.9 to promote filmmaking in the state.

(3) Provide expertise in promotional activities.

(4) Hold hearings, as needed.

(5) Adopt its own operational rules and procedures.

(6) Counsel the Legislature and the Governor on issues relating to the media production industry.

SEC. 32. Section 14998.7 of the Government Code is amended to read:

14998.7. Any funds appropriated to, or for use by, the commission for purposes of this chapter, shall be under the control of the Director of the Governor's Office of ~~Business and Economic Development~~ Impact or ~~his or her~~ the director's designee.

SEC. 33. Section 15363.62 of the Government Code is amended to read:

15363.62. For purposes of this chapter, the following meanings shall apply:

(a) "Film" means any commercial production for motion picture, television, commercial, or still photography.

(b) "Film costs" means the usual and customary charges by a public agency connected with the production of a film, limited to any of the following:

(1) State employee costs.

(2) Federal employee costs.

(3) Federal, state, University of California, and California State University permits and rental costs.

(4) Local public entity employee costs.

(5) Local property use fees.

(6) Rental costs for equipment owned and operated by a public agency in connection with the film.

(c) "Fund" means the Film California First Fund, established pursuant to Section 15363.74.

(d) "Office" means the Governor's Office of ~~Business and Economic Development~~, Impact, which includes the California Film Commission.

(e) "Production company" means a company, partnership, or corporation, engaged in the production of film.



(f) "Program" means the Film California First Program established pursuant to this chapter.

(g) "Public agency" means any of the following:

(1) The State of California, and any of its agencies, departments, boards, or commissions.

(2) The federal government, and any of its agencies, departments, boards, or commissions.

(3) The University of California.

(4) The California State University.

(5) California local public entities.

(6) Any nonprofit corporation acting as an agent for the recovery of costs incurred by any of the entities listed in this subdivision.

SEC. 34. Section 51298 of the Government Code is amended to read:

51298. It is the intent of the Legislature in enacting this chapter to provide local governments with opportunities to attract large manufacturing facilities to invest in their communities and to encourage industries, such as high technology, aerospace, automotive, biotechnology, software, environmental sources, and others, to locate and invest in those facilities in California.

(a) Commencing in the 1998–99 fiscal year, the governing body of a county, city and county, or city, may, by means of an ordinance or resolution approved by a majority of its entire membership, elect to establish a capital investment incentive program. In any county, city and county, or city in which the governing body has so elected, the county, city and county, or city shall, upon the approval by a majority of the entire membership of its governing body of a written request therefor, pay a capital investment incentive amount to the proponent of a qualified manufacturing facility for up to 15 consecutive fiscal years. A request for the payment of capital investment incentive amounts shall be filed by a proponent in writing with the governing body of an electing county, city and county, or city in the time and manner specified in procedures adopted by that governing body. In the case in which the governing body of an electing county, city and county, or city approves a request for the payment of capital investment incentive amounts, both of the following conditions shall apply:

(1) The consecutive fiscal years during which a capital investment incentive amount is to be paid shall commence with the first fiscal year commencing after the date upon which the qualified manufacturing facility is certified for occupancy or, if no certification is issued, the first fiscal year commencing after the date upon which the qualified manufacturing facility commences operation.

(2) In accordance with paragraph (4) of subdivision (d), the annual payment to a proponent of each capital investment incentive amount shall be contingent upon the proponent's payment of a community services fee.

(b) For purposes of this section:

(1) "Qualified manufacturing facility" means a proposed manufacturing facility that meets all of the following criteria:

(A) The proponent's initial investment in that facility, in real and personal property, necessary for the full and normal operation of that facility, made pursuant to the capital investment incentive program, that comprises any portion of that facility or has its situs at that facility, exceeds one hundred fifty million dollars (\$150,000,000). Compliance with this subparagraph shall be certified by the Governor's Office of



~~Business and Economic Development Impact~~ upon the director's approval of a proponent's application for certification of a qualified manufacturing facility. An application for certification shall be submitted by a proponent to the Governor's Office of ~~Business and Economic Development Impact~~ in writing in the time and manner as specified by the director.

(B) The facility is to be located within the jurisdiction of the electing county, city and county, or city to which the request is made for payment of capital investment incentive amounts.

(C) The facility is operated by any of the following:

(i) A business described in Codes 3321 to 3399, inclusive, or Codes 541711 or 541712 of the 2012 North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget.

(ii) A business engaged in the recovery of minerals from geothermal resources, including the proportional amount of a geothermal electric generating plant that is integral to the recovery process by providing electricity for it.

(iii) A business engaged in the manufacturing of parts or components related to the production of electricity using solar, wind, biomass, hydropower, or geothermal resources on or after July 1, 2010.

(D) The proponent is currently engaged in any of the following:

(i) Commercial production.

(ii) The perfection of the manufacturing process.

(iii) The perfection of a product intended to be manufactured.

(2) "Proponent" means a party or parties that meet all of the following criteria:

(A) The party is named in the application to the county, city and county, or city within which the qualified manufacturing facility would be located for a permit to construct a qualified manufacturing facility.

(B) The party will be the fee owner of the qualified manufacturing facility upon the completion of that facility. Notwithstanding the previous sentence, the party may enter into a sale-leaseback transaction and nevertheless be considered the proponent.

(C) If a proponent that is receiving capital investment incentive amounts subsequently leases the subject qualified manufacturing facility to another party, the lease may provide for the payment to that lessee of any portion of a capital investment incentive amount. Any lessee receiving any portion of a capital investment incentive amount shall also be considered a proponent for the purposes of subdivision (d).

(3) "Capital investment incentive amount" means, with respect to a qualified manufacturing facility for a relevant fiscal year, an amount up to or equal to the amount of ad valorem property tax revenue allocated to the participating local agency, which excludes the revenue transfers required by Sections 97.2 and 97.3 of the Revenue and Taxation Code, from the taxation of that portion of the total assessed value of that real and personal property described in subparagraph (A) of paragraph (1) that is in excess of one hundred fifty million dollars (\$150,000,000).

(4) "Manufacturing" means the activity of converting or conditioning property by changing the form, composition, quality, or character of the property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.



(c) A city or special district may, upon the approval by a majority of the entire membership of its governing body, pay to the county, city and county, or city an amount equal to the amount of ad valorem property tax revenue allocated to that city or special district, but not the actual allocation, derived from the taxation of that portion of the total assessed value of that real and personal property described in subparagraph (A) of paragraph (1) of subdivision (b) that is in excess of one hundred fifty million dollars (\$150,000,000).

(d) A proponent whose request for the payment of capital investment incentive amounts is approved by an electing county, city and county, or city shall enter into a community services agreement with that county, city and county, or city that includes, but is not limited to, all of the following provisions:

(1) A provision requiring that a community services fee be remitted by the proponent to the county, city and county, or city, in each fiscal year, in an amount that is equal to 25 percent of the capital investment incentive amount calculated for that proponent for that fiscal year, except that in no fiscal year shall the amount of the community services fee exceed two million dollars (\$2,000,000).

(2) A provision specifying the dates in each relevant fiscal year upon which payment of the community services fee is due and delinquent, and the rate of interest to be charged to a proponent for any delinquent portion of the community services fee amount.

(3) A provision specifying the procedures and rules for the determination of underpayments or overpayments of a community services fee, for the appeal of determinations of any underpayment, and for the refunding or crediting of any overpayment.

(4) A provision specifying that a proponent is ineligible to receive a capital investment incentive amount if that proponent is currently delinquent in the payment of any portion of a community services fee amount, if the qualified manufacturing facility is constructed in a manner materially different from the facility as described in building permit application materials, or if the facility is no longer operated as a qualified manufacturing facility meeting the requirements of paragraph (1) of subdivision (b). If a proponent becomes ineligible to receive a capital investment incentive amount as a result of an agreement provision included pursuant to this subparagraph, the running of the number of consecutive fiscal years specified in an agreement made pursuant to subdivision (a) is not tolled during the period in which the proponent is ineligible.

(5) A provision that sets forth a job creation plan with respect to the relevant qualified manufacturing facility. The plan shall specify the number of jobs to be created by that facility, and the types of jobs and compensation ranges to be created thereby. The plan shall also specify that for the entire term of the community services agreement, both of the following shall apply:

(A) All of the employees working at the qualified manufacturing facility shall be covered by an employer-sponsored health benefits plan, with the exception of any employee who was offered but declined coverage due to other available group coverage.

(B) The average weekly wage, exclusive of overtime, paid to all of the employees working at the qualified manufacturing facility, who are not management or supervisory employees, shall be not less than the state average weekly wage. For the purpose of this subdivision, "state average weekly wage" means the average weekly wage paid



by employers to employees covered by unemployment insurance, as reported to the Employment Development Department for the four calendar quarters ending June 30 of the preceding calendar year.

(6) (A) In the case in which the proponent fails to operate the qualified manufacturing facility as required by the community services agreement, a provision that requires the recapture of any portion of any capital investment incentive amounts previously paid to the proponent equal to the lesser of the following:

(i) All of the capital investment incentive amounts paid to the proponent, less all of the community services fees received from the proponent, and less any capital investment incentive amounts previously recaptured.

(ii) The last capital investment incentive amount paid to the proponent, less the last community services fee received from the proponent, multiplied by 40 percent of the number of years remaining in the community services agreement, but not to exceed 10 years, and less any capital investment incentive amounts previously recaptured.

(B) If the proponent fails to operate the qualified manufacturing facility as required by the community services agreement, the county, city and county, or city may, upon a finding that good cause exists, waive any portion of the recapture of any capital investment incentive amount due under this subdivision. For the purpose of this subdivision, good cause includes, but is not limited to, the following:

(i) The proponent has sold or leased the property to a person who has entered into an agreement with the county, city and county, or city to assume all of the responsibilities of the proponent under the community services agreement.

(ii) The qualified manufacturing facility has been rendered inoperable and beyond repair as a result of an act of God, civil disorder, failure of power, riots, insurrections, war, acts of terrorism, or any other causes, whether the kind herein enumerated or otherwise, not within the control of the qualified manufacturing facility claiming good cause, which restrict or interfere with a qualified manufacturing facility's ability to timely perform, and which by the exercise of reasonable due diligence, such party is or would have been unable to prevent or overcome.

(C) For purposes of this subdivision, failure to operate a qualified manufacturing facility as required by the community services agreement includes, but is not limited to, failure to establish the number of jobs specified in the jobs creation plan created pursuant to paragraph (5).

(e) (1) Each county, city and county, or city that elects to establish a capital investment incentive program shall notify the Governor's Office of ~~Business and Economic Development~~ Impact of its election to do so no later than June 30th of the fiscal year in which the election was made.

(2) In addition to the information required to be reported pursuant to paragraph (1), each county, city and county, or city that has elected to establish a capital investment incentive program shall notify the Governor's Office of ~~Business and Economic Development~~ Impact each fiscal year no later than June 30th of the amount of any capital investment incentive payments made and the proponent of the qualified manufacturing facility to whom the payments were made during that fiscal year.

(3) The Governor's Office of ~~Business and Economic Development~~ Impact shall compile the information submitted by each county, city and county, and city pursuant to paragraphs (1) and (2) and submit a report to the Legislature containing this information no later than October 1, every two years commencing October 1, 2016.



(f) This section shall become operative on July 1, 2015.

SEC. 35. Section 53542 of the Government Code is amended to read:

53542. (a) The Housing Bond Credit Committee shall, after consultation with appropriate agencies including, but not limited to, the ~~Department~~ Governor's Office of Business and Economic Development, Impact, the Department of Housing and Community Development, the Governor's Office of Planning and Research, the California Housing Finance Agency, the Senate Office of Research, the Assembly Office of Research, and the Department of Finance, designate areas of chronic economic distress in conformity with paragraph (3) of subdivision (k) of Section 103 (A) of the Internal Revenue Code. Criteria to be used in designating areas of chronic economic distress include:

(1) The condition of the housing stock, including the age of the housing and the number of abandoned and substandard residential units.

(2) The need of area residents for owner-financing under this section, as indicated by low per capita income, a high percentage of families in poverty, a high number of welfare recipients, and high unemployment rates.

(3) The potential for use of owner-financing under this section to improve housing conditions in the area.

(4) The existence of a housing assistance plan which provides a displacement program and a public improvements and services program.

(b) The committee may evaluate and include other criteria it considers appropriate in determining areas of chronic economic distress, including, but not limited to:

(1) Low vacancy rates in residential units.

(2) Low volume of mortgage loan activity.

(3) The percentage of households paying more than 35 percent of income for rent.

(4) The existence of adequate transportation facilities between such designated areas and areas of employment concentration.

(c) State agencies and local agencies, including, but not limited to, redevelopment agencies, housing authorities or other local entities authorized by the laws of this state to issue qualified mortgage bonds, may recommend on or before February 15 of each calendar year, the designation of an area of chronic economic distress to the committee.

The committee shall review all such proposals in making designations in accordance with paragraph (3) of subdivision (K) of Section 103 (A) of the Internal Revenue Code or any appropriate regulations. The State Treasurer or ~~his or her designee~~, their designee shall be responsible for seeking approval of that designation by the Secretary of the Treasury and the Secretary of Housing and Urban Development of the United States and providing certification of these designations and is hereby designated as the official to make certifications for purposes of federal law.

SEC. 36. Section 63021 of the Government Code is amended to read:

63021. (a) There is within the Governor's Office of ~~Business and Economic Development~~ Impact the Infrastructure and Economic Development Bank which shall be responsible for administering this division.

(b) The bank shall be under the direction of an executive director appointed by the Governor, and who shall serve at the pleasure of the Governor. The appointment shall be subject to confirmation by the Senate.

SEC. 37. Section 63021.5 of the Government Code is amended to read:



63021.5. (a) The bank shall be governed and its corporate power exercised by a board of directors that shall consist of the following persons:

- (1) The Director of Finance or ~~his or her~~ their designee.
 - (2) The Treasurer or ~~his or her~~ their designee.
 - (3) The Director of the Governor's Office of ~~Business and Economic Development~~ Impact or ~~his or her~~ their designee, who shall serve as chair of the board.
 - (4) An appointee of the Governor.
 - (5) The Secretary of Transportation or ~~his or her~~ their designee.
- (b) Any designated director shall serve at the pleasure of the designating power.
- (c) Three of the members shall constitute a quorum and the affirmative vote of three board members shall be necessary for any action to be taken by the board.

(d) A member of the board shall not participate in any bank action or attempt to influence any decision or recommendation by any employee of, or consultant to, the bank that involves a sponsor of which ~~he or she~~ the member is a representative or in which the member or a member of ~~his or her~~ their immediate family has a personal financial interest within the meaning of Section 87100. For purposes of this section, "immediate family" means the spouse, children, and parents of the member.

(e) Except as provided in this subdivision, the members of the board shall serve without compensation, but shall be reimbursed for actual and necessary expenses incurred in the performance of their duties to the extent that reimbursement for these expenses is not otherwise provided or payable by another public agency, and shall receive one hundred dollars (\$100) for each full day of attending meetings of the authority.

SEC. 38. Section 63088.3 of the Government Code is amended to read:

63088.3. Unless the context otherwise requires, the definitions in this section shall govern the construction of this chapter. The definitions provided in this section shall only apply to this chapter and not to any other chapter of this division.

(a) "Bank" means the California Infrastructure and Economic Development Bank.

(b) "Bank board" means the board of directors of the California Infrastructure and Economic Development Bank.

(c) "Board of directors" means the board of directors of a corporation.

(d) "California Small Business Board" means the advisory board established pursuant to Section 14004.1 of the Corporations Code for the purpose of advising on issues and programs affecting small business.

(e) "California Small Business Finance Center" means the governmental unit within the bank, which is located within the Governor's Office of ~~Business and Economic Development~~ Impact, with the administrative responsibility for programs and activities authorized pursuant to Section 8684.2 of this code, Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code, and this chapter.

(f) "Corporation" means any nonprofit California small business financial development corporation created pursuant to Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code, or pursuant to Chapter 1 (commencing with Section 32000) of Division 15.5 of the Financial Code.

(g) "Directives and requirements" means a document adopted by the bank board setting forth policy direction as well as key rules governing a particular subject area.



(h) "Executive director" means the executive director of the California Infrastructure and Economic Development Bank.

(i) "Expansion fund" means the California Small Business Expansion Fund authorized pursuant to Section 63089.5.

(j) "Financial company" means banking organizations, including national banks and trust companies, savings and loan associations, certified community development financial institutions, microbusiness lenders, state insurance companies, mutual insurance companies, and other public and private banking, lending, retirement, and insurance organizations.

(k) "Financial institution" means regulated banking organizations, including national banks and trust companies authorized to conduct business in California and state-chartered commercial banks, trust companies, credit unions, and savings and loan associations.

(l) "Financial product" means the type of financial assistance described in Section 63088.5, authorized by this chapter, or that the California Small Business Finance Center or a small business financial development corporation is otherwise authorized to provide.

(m) "Loan committee" means a committee appointed by the board of directors of a corporation to determine the course of action on a loan application pursuant to this chapter.

(n) "Microbusiness lender" means a microbusiness lender as defined in Section 13997.2.

(o) "Program manager" means the manager of the California Small Business Finance Center as designated to this title by the executive director of the California Infrastructure and Economic Development Bank.

(p) "Small business loan" means a loan to a business defined as an eligible small business as set forth in Section 121.3-10 of Part 121 of Chapter 1 of Title 13 of the Code of Federal Regulations, including those businesses organized for agricultural purposes that create or retain employment as a result of the loan unless otherwise defined by the directives and requirements. Directives and requirements shall provide guidelines as to the preferred ratio of jobs created or retained to total funds borrowed for guidance to the corporations.

(q) "Trust fund" means the moneys from the expansion fund that is held in trust by a financial institution or financial company. A trust fund is not a deposit of state funds and is not subject to the requirements of Section 16506.

(r) "Trustee" means the lending institution or financial company selected by the bank board to hold and invest the trust funds, or selected by a predecessor agency to the bank, if applicable. An agreement made pursuant to this chapter and the trustee shall not be construed to be a deposit of state funds.

(s) "Trust fund account" means an account within the trust fund that is either allocated to a particular corporation or shared by multiple corporations for the purpose of paying loan defaults and claims on bond guarantees or other financial products and program uses provided in this chapter.

SEC. 39. Section 63088.5 of the Government Code is amended to read:

63088.5. (a) There is within the Governor's Office of ~~Business and Economic Development~~ Impact the California Infrastructure and Economic Development Bank, which shall, among other things, administer the California Small Business Finance



Center that administers programs to assist businesses seeking new capital resources, including, but not limited to, the Small Business Loan Guarantee Program.

(b) Pursuant to this chapter and Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code, the bank board may continue programs funded by the Small Business Expansion Fund or establish one or more programs administered by the bank or under contract with small business financial development corporations. Programs established pursuant to this chapter or Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code may include the following types of financial products:

- (1) Loan guarantees and other credit enhancements.
- (2) Direct loans and other debt instruments.
- (3) Disaster loan guarantees.
- (4) Surety bond guarantees.

(c) In all of their state-funded programs, the corporations shall, to the extent practicable, be complementary to, and not competitive with, commercial lenders and other state and federal programs.

(d) In carrying out this chapter the program manager, the executive director, and the bank board may call on the California Small Business Board for advice and recommendations. All actions by the California Small Business Board are advisory.

(e) The California Small Business Board may also advise the Governor and the Small Business Advocate regarding issues and programs affecting California's small business community, including, but not limited to, business innovation and expansion, export finance, state procurement, management and technical assistance, venture capital, and financial assistance.

SEC. 40. Section 65923.8 of the Government Code is amended to read:

65923.8. Any state agency which is the lead agency for a development project shall inform the applicant for a permit that the Governor's Office of ~~Business and Economic Development~~ Impact has been created to assist, and provide information to, developers relating to the permit approval process.

SEC. 41. Section 97012 of the Government Code is amended to read:

97012. The board is encouraged to form an executive steering committee with members from relevant state agencies and departments with expertise in public health, homelessness and housing, workforce development, economic development, and effective rehabilitative treatment for adult and juvenile offenders in the evaluation of the social innovation financing program, including, but not limited to, the Governor's Office of ~~Business and Economic Development~~, Impact, the Department of Housing and Community Development, the California Workforce Investment Board, and the Office of Health Equity, to make recommendations to the board regarding the efficacy and viability of proposals.

SEC. 42. Section 99055 of the Government Code is amended to read:

99055. (a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law of the bonds authorized by this title and the making of those determinations and the taking of other actions as are authorized by this title, the Economic Recovery Financing Committee is hereby created. For purposes of this title, the Economic Recovery Financing Committee is "the committee" as that term is used in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2).



- (b) The committee consists of all of the following members:
- (1) The Governor or ~~his or her~~ the Governor's designee.
 - (2) The Director of Finance.
 - (3) The Treasurer.
 - (4) The Controller.
 - (5) The Director of the Governor's Office of ~~Business and Economic Development, Impact.~~
 - (6) The Director of General Services.
 - (7) The Director of Transportation.
- (c) Notwithstanding any other provision of law, any member may designate a deputy to act as that member in ~~his or her~~ their place and stead for all purposes, as though the member were personally present.
- (d) The Legislature finds and declares that each member of the committee has previously acted as a member of a similar finance committee.
- (e) A majority of the members of the committee shall constitute a quorum of the committee and may act for the committee.
- (f) The Director of Finance shall serve as chairperson of the committee.
- SEC. 43. Section 99500 of the Government Code is amended to read:
99500. (a) The Governor is the primary state officer representing California's interest in international affairs, to the extent that representation is not in conflict with federal law or the California Constitution, and except as otherwise specified in this title, to the extent this title is not in conflict with federal law or the California Constitution.
- (b) The Lieutenant Governor is the Chair of the California Commission for Economic Development, to improve trade opportunities for California. The Legislature finds that the commission has developed international partnerships that provide venues for foreign companies to do business in the state and for California-based companies to access foreign markets.
- (c) The Attorney General is the chief law officer of California and as such assists the federal government in defending against international challenges to California laws.
- (d) The Secretary of State oversees the International Business Relations Program, which aims to develop stronger connections between the international business community and the state by assisting foreign business entities with the various filing processes and procedures in California.
- (e) The Department of Food and Agriculture is the primary state agency for the promotion of California agriculture, fish, and forest exports.
- (f) The Natural Resources Agency and the California Environmental Protection Agency are the primary state agencies for the promotion of international exchange of environmental protection technologies, alternative energy technologies, and the promotion of the transfer of environmental technology to and from the state.
- (g) The Governor's Office of ~~Business and Economic Development Impact~~ Impact is the primary state agency responsible for international trade and investment activities in areas other than those covered by the Department of Food and Agriculture.
- (h) Subdivisions (a) to (f), inclusive, are declaratory of, and do not constitute a change in, existing law.

SEC. 44. Section 99503 of the Government Code is amended to read:



99503. (a) (1) All state employees working under the jurisdiction of an agency secretary shall, within 30 days of traveling out of the country on official state business provide, to the secretary to whom they report, a memorandum detailing dates of the trip, countries and localities visited, a description of attendees of any official meetings or events, and the goals, outcomes, and followup expected from the trip. However, attendance at formal conferences may be described in more general detail, including dates, location, types of groups represented in the audience, and general topics covered during the course of the conference.

(2) Except as provided in paragraphs (3) and (4), state employees who do not work within an agency structure shall report the information as described in paragraph (1) to the Governor's office.

(3) Legislative employees shall provide the information as described in paragraph (1) to their respective Committee on Rules.

(4) State employees working under the jurisdiction of a constitutional officer shall provide the information as described in paragraph (1) to the constitutional officer to whom they report.

(5) Except as provided in paragraphs (3) and (4), state employees who undertake official state business that could impact California international trade or investment shall also provide a copy of the memorandum to the Director of the Governor's Office of ~~Business and Economic Development~~, Impact.

(b) Travel out of the country on official state business when the Governor, a Member of the Legislature, or a constitutional officer, or all of these persons, is present, is exempt from the requirements of subdivision (a).

SEC. 45. Section 99522 of the Government Code is amended to read:

99522. (a) The California-Mexico Border Relations Council is hereby established in state government. The council shall consist of the Director of the Governor's Office of ~~Business and Economic Development~~, Impact, the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, the Secretary of California Health and Human Services, the Secretary of Transportation, the Secretary of Food and Agriculture, the Secretary of State and Consumer Services, and the Director of Emergency Services. The Regional Administrator of the United States Environmental Protection Agency, Region 9, may appoint a representative from ~~his or her~~ their staff to serve as an ex-officio, nonvoting member of the council.

(b) The Secretary for Environmental Protection shall chair the council.

SEC. 46. Section 25249.14 of the Health and Safety Code is amended to read:

25249.14. The Governor's Office of ~~Business and Economic Development~~ Impact shall post in a conspicuous location on its ~~Internet Web site~~, internet website, and include with any informational materials provided to businesses relating to a business's obligations under state law, a disclaimer that states the following:

Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986, requires businesses to provide a clear and reasonable warning before knowingly and intentionally exposing anyone to chemicals that are known to the state to cause cancer or birth defects or other reproductive harm. It is important to know that a product that receives certification from the United States Food and Drug Administration, or another federal agency or state agency, is not necessarily exempt from California requirements for chemical exposure warnings. Businesses should be aware of the levels of harmful chemicals in their products and of applicable Proposition



65 requirements. For more information on Proposition 65 and how to comply with its requirements, please visit <https://oehha.ca.gov>.

SEC. 47. Section 38591.3 of the Health and Safety Code is amended to read:

38591.3. (a) No later than January 1, 2019, the California Workforce Development Board, in consultation with the state board, shall report to the Legislature on the need for increased education, career technical education, job training, and workforce development resources or capacity to help industry, workers, and communities transition to economic and labor-market changes related to statewide greenhouse gas emissions reduction goals, pursuant to Sections 38550 and 38566, and the scoping plan, adopted pursuant to Section 38561. The California Workforce Development Board shall ensure that the report aligns, as appropriate, with California's Unified Strategic Workforce Development Plan, developed by the California Workforce Development Board. The California Workforce Development Board and the state board shall work in consultation with all of the following:

- (1) State Department of Education.
- (2) California Community Colleges.
- (3) Trustees of the California State University.
- (4) Regents of the University of California.
- (5) Governor's Office of ~~Business and Economic Development~~. Impact.
- (6) Interested stakeholders.
- (b) The report to the Legislature shall address all of the following:
 - (1) Creating and retaining jobs and stimulating economic activity in the state.
 - (2) Imbedding workforce training and employment services in infrastructure investments so that services more directly connect to the jobs created.
 - (3) The use of community benefits agreements, community workforce agreements, and project labor agreements that connect workforce services and job training directly to jobs impacted or jobs created.
 - (4) Preparing the state's students with relevant career technical education that responds to business and industry demands.
 - (5) Developing worker retraining programs to assist the existing workforce with the necessary tools to upgrade their skills.
 - (6) Responding to the job creation and workforce needs of the state's new and emerging industries, including emerging technologies that will result in greater greenhouse gas emissions reductions.
 - (7) Developing job training programs to assist specific populations, such as at-risk youth, displaced workers, veterans, the formerly incarcerated, and others facing barriers to employment.
 - (8) Opportunities for community-based organizations to partner with local workforce agencies to improve the labor-market outcomes of targeted disadvantaged populations.
 - (9) Targeting workforce development programs and activities in disadvantaged communities, as identified pursuant to Section 39711, and communities that are located near entities regulated by the state board pursuant to this division.
 - (10) Identifying and leveraging state and federal funding resources to implement the recommendations made in the report consistent with the regulatory purposes of this division.



(c) This section shall remain in effect only until January 1, 2031, and as of that date is repealed.

SEC. 48. Section 40448.6 of the Health and Safety Code is amended to read:

40448.6. The Legislature hereby finds and declares all of the following:

(a) It is necessary to increase the availability of financial assistance to small businesses that are subject to the rules and regulations of the south coast district, in order to minimize economic dislocation and adverse socioeconomic impacts.

(b) It is in the public interest that a portion of the funds collected by the south coast district from violators of air pollution regulations be allocated for the purpose of guaranteeing or otherwise reducing the financial risks of providing financial assistance to small businesses which face increased borrowing requirements in order to comply with air pollution control requirements.

(c) Public agencies and private lenders have a variety of methods available for providing financing assistance to small businesses and other employers, including taxable bonds, composite or pooled financing instruments, loan guarantees, and credit insurance, which could be utilized in combination with the penalties collected by the south coast district to expand the availability and reduce the cost of financing assistance.

(d) The California Pollution Control Financing Authority has funds set aside from previous bond issues, which could be used to guarantee the issuance of bonds or other financing for small businesses for the purchase and installation of pollution control equipment.

(e) The Governor's Office of ~~Business and Economic Development~~, Impact, through the small business financial development corporations established pursuant to Chapter 1 (commencing with Section 14000) of Part 5 of Division 3 of Title 1 of the Corporations Code, has the ability to provide state loan guarantees and technical assistance to small businesses needing financial assistance.

(f) The Job Training Partnership Division of the Employment Development Department makes funds available for job training programs, including funds for dislocated workers, through the federal Job Training Partnership Act (29 U.S.C. Sec. 1501 et seq.).

(g) It is the policy of the state that the Job Training Partnership Division of the Employment Development Department, in cooperation with the districts and the state board, are encouraged to provide job training programs for workers who, as determined by the department or the local private industry council, have been laid off or dislocated as a result of actions resulting from air quality regulations.

(h) It is the policy of the state that the California Pollution Control Financing Authority and other state agencies implementing small business assistance programs, in cooperation with the districts and the state board, are encouraged to provide technical and financial assistance to small businesses to facilitate compliance with air quality regulations.

SEC. 49. Section 44272 of the Health and Safety Code is amended to read:

44272. (a) The Alternative and Renewable Fuel and Vehicle Technology Program is hereby created. The program shall be administered by the commission. The commission shall implement the program by regulation pursuant to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The program shall provide, upon appropriation by the Legislature, competitive grants, revolving loans, loan guarantees, loans, or other



appropriate funding measures to public agencies, vehicle and technology entities, businesses and projects, public-private partnerships, workforce training partnerships and collaboratives, fleet owners, consumers, recreational boaters, and academic institutions to develop and deploy innovative technologies that transform California's fuel and vehicle types to help attain the state's climate change policies. The emphasis of this program shall be to develop and deploy technology and alternative and renewable fuels in the marketplace, without adopting any one preferred fuel or technology.

(b) A project that receives more than seventy-five thousand dollars (\$75,000) in funds from the commission shall be approved at a noticed public meeting of the commission and shall be consistent with the priorities established by the investment plan adopted pursuant to Section 44272.5. Under this article, the commission may delegate to the commission's executive director, or ~~his or her~~ their designee, the authority to approve either of the following:

(1) A contract, grant, loan, or other agreement or award that receives seventy-five thousand dollars (\$75,000) or less in funds from the commission.

(2) Amendments to a contract, grant, loan, or other agreement or award as long as the amendments do not increase the amount of the award, change the scope of the project, or modify the purpose of the agreement.

(c) The commission shall provide preferences to those projects that maximize the goals of the Alternative and Renewable Fuel and Vehicle Technology Program, based on the following criteria, as applicable:

(1) The project's ability to provide a measurable transition from the nearly exclusive use of petroleum fuels to a diverse portfolio of viable alternative fuels that meet petroleum reduction and alternative fuel use goals.

(2) The project's consistency with existing and future state climate change policy and low-carbon fuel standards.

(3) The project's ability to reduce criteria air pollutants and air toxics and reduce or avoid multimedia environmental impacts.

(4) The project's ability to decrease, on a life-cycle basis, the discharge of water pollutants or any other substances known to damage human health or the environment, in comparison to the production and use of California Phase 2 Reformulated Gasoline or diesel fuel produced and sold pursuant to California diesel fuel regulations set forth in Article 2 (commencing with Section 2280) of Chapter 5 of Division 3 of Title 13 of the California Code of Regulations.

(5) The project does not adversely impact the sustainability of the state's natural resources, especially state and federal lands.

(6) The project provides nonstate matching funds. Costs incurred from the date a proposed award is noticed may be counted as nonstate matching funds. The commission may adopt further requirements for the purposes of this paragraph. The commission is not liable for costs incurred pursuant to this paragraph if the commission does not give final approval for the project or the proposed recipient does not meet requirements adopted by the commission pursuant to this paragraph.

(7) The project provides economic benefits for California by promoting California-based technology firms, jobs, and businesses.

(8) The project uses existing or proposed fueling infrastructure to maximize the outcome of the project.



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(9) The project's ability to reduce on a life-cycle assessment greenhouse gas emissions by at least 10 percent, and higher percentages in the future, from current reformulated gasoline and diesel fuel standards established by the state board.

(10) The project's use of alternative fuel blends of at least 20 percent, and higher blend ratios in the future, with a preference for projects with higher blends.

(11) The project drives new technology advancement for vehicles, vessels, engines, and other equipment, and promotes the deployment of that technology in the marketplace.

(12) The project's ability to transition workers to, or promote employment in, the alternative and renewable fuel and vehicle technology sector.

(d) The commission shall rank applications for projects proposed for funding awards based on solicitation criteria developed in accordance with subdivision (c), and shall give additional preference to funding those projects with higher benefit-cost scores.

(e) Only the following shall be eligible for funding:

(1) Alternative and renewable fuel projects to develop and improve alternative and renewable low-carbon fuels, including electricity, ethanol, dimethyl ether, renewable diesel, natural gas, hydrogen, and biomethane, among others, and their feedstocks that have high potential for long-term or short-term commercialization, including projects that lead to sustainable feedstocks.

(2) Demonstration and deployment projects that optimize alternative and renewable fuels for existing and developing engine technologies.

(3) Projects to produce alternative and renewable low-carbon fuels in California.

(4) Projects to decrease the overall impact of an alternative and renewable fuel's life-cycle carbon footprint and increase sustainability.

(5) Alternative and renewable fuel infrastructure, fueling stations, and equipment. The preference in paragraph (10) of subdivision (c) shall not apply to renewable diesel or biodiesel infrastructure, fueling stations, and equipment used solely for renewable diesel or biodiesel fuel.

(6) Projects to develop and improve light-, medium-, and heavy-duty vehicle technologies that provide for better fuel efficiency and lower greenhouse gas emissions, alternative fuel usage and storage, or emission reductions, including propulsion systems, advanced internal combustion engines with a 40 percent or better efficiency level over the current market standard, lightweight materials, intelligent transportation systems, energy storage, control systems and system integration, physical measurement and metering systems and software, development of design standards and testing and certification protocols, battery recycling and reuse, engine and fuel optimization electronic and electrified components, hybrid technology, plug-in hybrid technology, battery electric vehicle technology, fuel cell technology, and conversions of hybrid technology to plug-in technology through the installation of safety certified supplemental battery modules.

(7) Programs and projects that accelerate the commercialization of vehicles and alternative and renewable fuels including buy-down programs through near-market and market-path deployments, advanced technology warranty or replacement insurance, development of market niches, supply-chain development, and research related to the pedestrian safety impacts of vehicle technologies and alternative and renewable fuels.



(8) Programs and projects to retrofit medium- and heavy-duty onroad and nonroad vehicle fleets with technologies that create higher fuel efficiencies, including alternative and renewable fuel vehicles and technologies, idle management technology, and aerodynamic retrofits that decrease fuel consumption.

(9) Infrastructure projects that promote alternative and renewable fuel infrastructure development connected with existing fleets, public transit, and existing transportation corridors, including physical measurement or metering equipment and truck stop electrification.

(10) Workforce training programs related to the development and deployment of technologies that transform California's fuel and vehicle types and assist the state in implementing its climate change policies, including, but not limited to, alternative and renewable fuel feedstock production and extraction; renewable fuel production, distribution, transport, and storage; high-performance and low-emission vehicle technology and high tower electronics; automotive computer systems; mass transit fleet conversion, servicing, and maintenance; and other sectors or occupations related to the purposes of this chapter, including training programs to transition dislocated workers affected by the state's greenhouse gas emission policies, including those from fossil fuel sectors, or training programs for low-skilled workers to enter or continue in a career pathway that leads to middle skill, industry-recognized credentials or state-approved apprenticeship opportunities in occupations related to the purposes of this chapter.

(11) Block grants or incentive programs administered by public entities or not-for-profit technology entities for multiple projects, education and program promotion within California, and development of alternative and renewable fuel and vehicle technology centers. The commission may adopt guidelines for implementing the block grant or incentive program, which shall be approved at a noticed public meeting of the commission.

(12) Life-cycle and multimedia analyses, sustainability and environmental impact evaluations, and market, financial, and technology assessments performed by a state agency to determine the impacts of increasing the use of low-carbon transportation fuels and technologies, and to assist in the preparation of the investment plan and program implementation.

(13) A program to provide funding for homeowners who purchase a plug-in electric vehicle to offset costs associated with modifying electrical sources to include a residential plug-in electric vehicle charging station. In establishing this program, the commission shall consider funding criteria to maximize the public benefit of the program.

(f) The commission may make a single source or sole source award pursuant to this section for applied research. The same requirements set forth in Section 25620.5 of the Public Resources Code shall apply to awards made on a single source basis or a sole source basis. This subdivision does not authorize the commission to make a single source or sole source award for a project or activity other than for applied research.

(g) The commission may do all of the following:

(1) Contract with the Treasurer to expend funds through programs implemented by the Treasurer, if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).



(2) Contract with small business financial development corporations established by the Governor's Office of ~~Business and Economic Development~~ Impact to expend funds through the Small Business Loan Guarantee Program if the expenditure is consistent with all of the requirements of this article and Article 1 (commencing with Section 44270).

(3) Advance funds, pursuant to an agreement with the commission, to any of the following:

(A) A public entity.

(B) A recipient to enable it to make advance payments to a public entity that is a subrecipient of the funds and under a binding and enforceable subagreement with the recipient.

(C) An administrator of a block grant program.

(h) The commission shall collaborate with entities that have expertise in workforce development to implement the workforce development components of this section, including, but not limited to, the California Workforce Development Board, the Employment Training Panel, the Employment Development Department, and the Division of Apprenticeship Standards.

SEC. 50. Section 4630.2 of the Public Resources Code is amended to read:

4630.2. (a) On or before July 1, 2020, the Forest Health Task Force pursuant to Executive Order B-52-18 or its successor entity shall, in consultation with the Governor's Office of ~~Business Development, Economic Impact~~ the Joint Institute for Wood Products Innovation in the Board of Forestry and Fire Protection, private industry, investors, and other stakeholders it deems appropriate, develop recommendations for siting of additional wood product manufacturing facilities in the state. These recommendations shall include but are not limited to:

(1) A financially viable proposal for the development and construction of at least one new mass timber production facility that can manufacture mass timber panels that can be cross or dowel laminated or use similar mass timber technology.

(2) Identify and propose the necessary incentives needed to attract private investment to construct such a mass timber production facility in California.

(3) Identify other former manufacturing or wood processing sites that may be suitable for future investment.

(b) In developing the recommendations pursuant to subdivision (a), it is the intent of the Legislature that the location and activities of the mass timber production facilities, to the extent feasible, meet the following:

(1) Be adjacent to a high or very high fire hazard severity zone, as identified by the Department of Forestry and Fire Protection, and be capable of processing materials generated as a result of fuel treatments or other forest management practices.

(2) Generate mass timber workforce training and job creation opportunities.

(3) Be located in, or be proximate to, areas that are near the locations of large landscape fires of greater than 50,000 acres that have occurred since 2005 and in areas identified as federal opportunity zones or in areas that have an average household income of 5 percent below the state's median household income.

SEC. 51. Section 25464 of the Public Resources Code is amended to read:

25464. (a) For purposes of this section, the following definitions apply:

(1) "Fund" means the Clean and Renewable Energy Business Financing Revolving Loan Fund.



(2) "Program" means the Clean and Renewable Energy Business Financing Revolving Loan Program.

(b) (1) The commission may use federal funds available pursuant to this chapter to implement the Clean and Renewable Energy Business Financing Revolving Loan Program to provide low interest loans to California clean and renewable energy manufacturing businesses.

(2) The commission may use other funding sources to leverage loans awarded under the program.

(c) The commission may work directly with the Governor's Office of ~~Business and Economic Development~~, Impact, the Treasurer, or any other state agency, board, commission, or authority to implement and administer the program, and may contract for private services as needed to implement the program.

(d) The commission may collect an application fee from applicants applying for funding under the program to help offset the costs of administering the program.

(e) (1) The Clean and Renewable Energy Business Financing Revolving Loan Fund is hereby established in the State Treasury to implement the program. The commission is authorized to administer the fund for this purpose. Notwithstanding Section 13340 of the Government Code, the money in the fund is continuously appropriated to the commission, without regard to fiscal years, to implement the program.

(2) Upon direction by the commission, the Controller shall create any accounts or subaccounts within the fund that the commission determines are necessary to facilitate management of the fund.

(3) The Controller shall disburse and receive moneys in the fund for purposes of the program and as authorized by the commission.

(4) All loans and repayments of loans made pursuant to this section, including interest payments, penalty payments, and all interest earning on or accruing to any moneys in the fund, shall be deposited in the fund and shall be available for the purposes of this section.

(5) The commission may expend up to 5 percent of moneys in the fund for its administrative costs to implement the program.

(f) Federal funds available to the commission pursuant to this chapter shall be transferred to the fund in the loan amounts when loans are awarded under the program by the commission.

(g) Notwithstanding paragraph (4) of subdivision (e), the commission may use loan repayments and all interest earnings on or accruing in the fund for energy efficiency, energy conservation, renewable energy, and other energy-related projects and activities authorized by the federal American Recovery and Reinvestment Act of 2009 or subsequent federal acts related to the federal American Recovery and Reinvestment Act of 2009. Unless prohibited by the federal American Recovery and Reinvestment Act of 2009, the commission may augment funding for any programs and measures authorized by this division.

(h) The commission shall transfer to the Energy Efficient State Property Revolving Fund established pursuant to Section 25471 repayments of, and all accrued interest on, loans funded by the federal American Recovery and Reinvestment Act of 2009 (Public Law 111-5) pursuant to this section. The commission shall transfer the



moneys not more frequently than annually and in an amount based on the balance in the fund at the time of transfer.

SEC. 52. Section 71040 of the Public Resources Code is amended to read:

71040. The Governor's Office of ~~Business and Economic Development Impact~~ shall establish an electronic online permit assistance center through the ~~Internet.~~ internet. The electronic online permit assistance center shall be available for use by any business or other entity subject to a law or regulation implemented by an agency, authority, bureau, board, commission, conservancy, council, department, state district, or office, and shall provide a business or other entity with assistance in complying with those laws and regulations. The center, which shall be called the "California Government-On Line to Desktops" or "CALGOLD" program, shall provide special software, "hotlinks," and other online resources and tools that may be used by a business or other entity to streamline and expedite compliance with laws and regulations implemented by an agency, authority, bureau, board, commission, conservancy, council, department, state district, or office. The CALGOLD program shall, to the extent feasible, incorporate permit assistance activities of local and federal entities and of other entities of the state into its operations.

SEC. 53. Section 323.5 of the Public Utilities Code is amended to read:

323.5. (a) For the purposes of this section, the following terms have the following meanings:

(1) "Demand-side energy management programs" mean all energy efficiency, demand-side response, clean distributed generation, energy conservation, energy savings, or weatherization programs of the state or a local government, electrical corporations, gas corporations, or a local publicly owned electric or gas utility.

(2) "Small business" has the same meaning as defined in Section 14837 of the Government Code.

(b) The commission shall ensure that the ~~Internet Web site~~ internet website for the Energy Upgrade California program is revised and maintained to include information related to demand-side energy management programs for small business customers.

(c) The commission, in consultation with the Office of Small Business Advocate within the Governor's Office of ~~Business and Economic Development, Impact,~~ shall ensure that adequate marketing, education, and outreach are undertaken that is directed at small business customers to enable small business customers to fully participate in ratepayer-funded demand-side energy management programs, including programs that provide financial incentives, rebates, technical assistance, and support pursuant to Sections 454.54 and 454.55.

SEC. 54. Section 17039 of the Revenue and Taxation Code is amended to read:

17039. (a) Notwithstanding any provision in this part to the contrary, for the purposes of computing tax credits, the term "net tax" means the tax imposed under either Section 17041 or 17048 plus the tax imposed under Section 17504 (relating to lump-sum distributions) less the credits allowed by Section 17054 (relating to personal exemption credits) and any amount imposed under paragraph (1) of subdivision (d) and paragraph (1) of subdivision (e) of Section 17560. Notwithstanding the preceding sentence, the "net tax" shall not be less than the tax imposed under Section 17504 (relating to the separate tax on lump-sum distributions), if any. Credits shall be allowed against "net tax" in the following order:



(1) Credits that do not contain carryover or refundable provisions, except those described in paragraphs (4) and (5).

(2) Credits that contain carryover provisions but do not contain refundable provisions, except for those that are allowed to reduce "net tax" below the tentative minimum tax, as defined by Section 17062.

(3) Credits that contain both carryover and refundable provisions.

(4) The minimum tax credit allowed by Section 17063 (relating to the alternative minimum tax).

(5) Credits that are allowed to reduce "net tax" below the tentative minimum tax, as defined by Section 17062.

(6) Credits for taxes paid to other states allowed by Chapter 12 (commencing with Section 18001).

(7) Credits that contain refundable provisions but do not contain carryover provisions.

The order within each paragraph shall be determined by the Franchise Tax Board.

(b) Notwithstanding the provisions of Sections 17061 (relating to refunds pursuant to the Unemployment Insurance Code) and 19002 (relating to tax withholding), the credits provided in those sections shall be allowed in the order provided in paragraph (6) of subdivision (a).

(c) (1) Notwithstanding any other provision of this part, no tax credit shall reduce the tax imposed under Section 17041 or 17048 plus the tax imposed under Section 17504 (relating to the separate tax on lump-sum distributions) below the tentative minimum tax, as defined by Section 17062, except the following credits:

(A) The credit allowed by former Section 17052.2 (relating to teacher retention tax credit).

(B) The credit allowed by former Section 17052.4 (relating to solar energy).

(C) The credit allowed by former Section 17052.5 (relating to solar energy, repealed on January 1, 1987).

(D) The credit allowed by former Section 17052.5 (relating to solar energy, repealed on December 1, 1994).

(E) The credit allowed by Section 17052.12 (relating to research expenses).

(F) The credit allowed by former Section 17052.13 (relating to sales and use tax credit).

(G) The credit allowed by former Section 17052.15 (relating to Los Angeles Revitalization Zone sales tax credit).

(H) The credit allowed by Section 17052.25 (relating to the adoption costs credit).

(I) The credit allowed by Section 17053.5 (relating to the renter's credit).

(J) The credit allowed by former Section 17053.8 (relating to enterprise zone hiring credit).

(K) The credit allowed by former Section 17053.10 (relating to Los Angeles Revitalization Zone hiring credit).

(L) The credit allowed by former Section 17053.11 (relating to program area hiring credit).

(M) For each taxable year beginning on or after January 1, 1994, the credit allowed by former Section 17053.17 (relating to Los Angeles Revitalization Zone hiring credit).



(N) The credit allowed by former Section 17053.33 (relating to targeted tax area sales or use tax credit).

(O) The credit allowed by Section 17053.34 (relating to targeted tax area hiring credit).

(P) The credit allowed by former Section 17053.49 (relating to qualified property).

(Q) The credit allowed by former Section 17053.70 (relating to enterprise zone sales or use tax credit).

(R) The credit allowed by Section 17053.74 (relating to enterprise zone hiring credit).

(S) The credit allowed by Section 17054 (relating to credits for personal exemption).

(T) The credit allowed by Section 17054.5 (relating to the credits for a qualified joint custody head of household and a qualified taxpayer with a dependent parent).

(U) The credit allowed by Section 17054.7 (relating to the credit for a senior head of household).

(V) The credit allowed by former Section 17057 (relating to clinical testing expenses).

(W) The credit allowed by Section 17058 (relating to low-income housing).

(X) For taxable years beginning on or after January 1, 2014, the credit allowed by Section 17059.2 (relating to ~~GO-Biz~~ O.E.I. California Competes Tax Credit).

(Y) The credit allowed by Section 17061 (relating to refunds pursuant to the Unemployment Insurance Code).

(Z) Credits for taxes paid to other states allowed by Chapter 12 (commencing with Section 18001).

(AA) The credit allowed by Section 19002 (relating to tax withholding).

(AB) For taxable years beginning on or after January 1, 2014, the credit allowed by former Section 17053.86 (relating to the College Access Tax Credit Fund).

(AC) For taxable years beginning on or after January 1, 2017, the credit allowed by Section 17053.87 (relating to the College Access Tax Credit Fund).

(2) Any credit that is partially or totally denied under paragraph (1) shall be allowed to be carried over and applied to the net tax in succeeding taxable years, if the provisions relating to that credit include a provision to allow a carryover when that credit exceeds the net tax.

(d) Unless otherwise provided, any remaining carryover of a credit allowed by a section that has been repealed or made inoperative shall continue to be allowed to be carried over under the provisions of that section as it read immediately before being repealed or becoming inoperative.

(e) (1) Unless otherwise provided, if two or more taxpayers (other than spouses) share in costs that would be eligible for a tax credit allowed under this part, each taxpayer shall be eligible to receive the tax credit in proportion to ~~his or her~~ their respective share of the costs paid or incurred.

(2) In the case of a partnership, the credit shall be allocated among the partners pursuant to a written partnership agreement in accordance with Section 704 of the Internal Revenue Code, relating to partner's distributive share.

(3) In the case of spouses who file separate returns, the credit may be taken by either or equally divided between them.



(f) Unless otherwise provided, in the case of a partnership, any credit allowed by this part shall be computed at the partnership level, and any limitation on the expenses qualifying for the credit or limitation upon the amount of the credit shall be applied to the partnership and to each partner.

(g) (1) With respect to any taxpayer that directly or indirectly owns an interest in a business entity that is disregarded for tax purposes pursuant to Section 23038 and any regulations thereunder, the amount of any credit or credit carryforward allowable for any taxable year attributable to the disregarded business entity shall be limited in accordance with paragraphs (2) and (3).

(2) The amount of any credit otherwise allowed under this part, including any credit carryover from prior years, that may be applied to reduce the taxpayer's "net tax," as defined in subdivision (a), for the taxable year shall be limited to an amount equal to the excess of the taxpayer's regular tax (as defined in Section 17062), determined by including income attributable to the disregarded business entity that generated the credit or credit carryover, over the taxpayer's regular tax (as defined in Section 17062), determined by excluding the income attributable to that disregarded business entity. A credit shall not be allowed if the taxpayer's regular tax (as defined in Section 17062), determined by including the income attributable to the disregarded business entity, is less than the taxpayer's regular tax (as defined in Section 17062), determined by excluding the income attributable to the disregarded business entity.

(3) If the amount of a credit allowed pursuant to the section establishing the credit exceeds the amount allowable under this subdivision in any taxable year, the excess amount may be carried over to subsequent taxable years pursuant to subdivisions (c) and (d).

(h) (1) Unless otherwise specifically provided, in the case of a taxpayer that is a partner or shareholder of an eligible pass-thru entity described in paragraph (2), any credit passed through to the taxpayer in the taxpayer's first taxable year beginning on or after the date the credit is no longer operative may be claimed by the taxpayer in that taxable year, notwithstanding the repeal of the statute authorizing the credit before the close of that taxable year.

(2) For purposes of this subdivision, "eligible pass-thru entity" means any partnership or "S" corporation that files its return on a fiscal year basis pursuant to Section 18566, and that is entitled to a credit pursuant to this part for the taxable year that begins during the last year the credit is operative.

(3) This subdivision applies to credits that become inoperative on or after the operative date of the act adding this subdivision.

SEC. 55. Section 17053.73 of the Revenue and Taxation Code is amended to read:

17053.73. (a) (1) For each taxable year beginning on or after January 1, 2014, and before January 1, 2026, there shall be allowed to a qualified taxpayer that hires a qualified full-time employee and pays or incurs qualified wages attributable to work performed by the qualified full-time employee in a designated census tract or economic development area, and that receives a tentative credit reservation for that qualified full-time employee, a credit against the "net tax," as defined in Section 17039, in an amount calculated under this section.



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(2) The amount of the credit allowable under this section for a taxable year shall be equal to the product of the tentative credit amount for the taxable year and the applicable percentage for that taxable year.

(3) (A) If a qualified taxpayer relocates to a designated census tract or economic development area, the qualified taxpayer shall be allowed a credit with respect to qualified wages for each qualified full-time employee employed within the new location only if the qualified taxpayer provides each employee at the previous location or locations a written offer of employment at the new location in the designated census tract or economic development area with comparable compensation.

(B) For purposes of this paragraph, "relocates to a designated census tract or economic development area" means an increase in the number of qualified full-time employees, employed by a qualified taxpayer, within a designated census tract or tracts or economic development areas within a 12-month period in which there is a decrease in the number of full-time employees, employed by the qualified taxpayer in this state, but outside of designated census tracts or economic development areas.

(C) This paragraph does not apply to a small business.

(4) The credit allowed by this section may be claimed only on a timely filed original return of the qualified taxpayer and only with respect to a qualified full-time employee for whom the qualified taxpayer has received a tentative credit reservation.

(b) For purposes of this section:

(1) The "tentative credit amount" for a taxable year shall be equal to the product of the applicable credit percentage for each qualified full-time employee and the qualified wages paid by the qualified taxpayer during the taxable year to that qualified full-time employee.

(2) The "applicable percentage" for a taxable year shall be equal to a fraction, the numerator of which is the net increase in the total number of full-time employees employed in this state during the taxable year, determined on an annual full-time equivalent basis, as compared with the total number of full-time employees employed in this state during the base year, determined on the same basis, and the denominator of which shall be the total number of qualified full-time employees employed in this state during the taxable year. The applicable percentage shall not exceed 100 percent.

(3) The "applicable credit percentage" means the credit percentage for the calendar year during which a qualified full-time employee was first employed by the qualified taxpayer. The applicable credit percentage for all calendar years shall be 35 percent.

(4) "Base year" means the 2013 taxable year, except in the case of a qualified taxpayer who first hires a qualified full-time employee in a taxable year beginning on or after January 1, 2015, the base year means the taxable year immediately preceding the taxable year in which a qualified full-time employee was first hired by the qualified taxpayer.

(5) "Acquired" includes any gift, inheritance, transfer incident to divorce, or any other transfer, whether or not for consideration.

(6) "Annual full-time equivalent" means either of the following:

(A) In the case of a full-time employee paid hourly qualified wages, "annual full-time equivalent" means the total number of hours worked for the qualified taxpayer by the employee, not to exceed 2,000 hours per employee, divided by 2,000.



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(B) In the case of a salaried full-time employee, "annual full-time equivalent" means the total number of weeks worked for the qualified taxpayer by the employee divided by 52.

(7) "Designated census tract" means a census tract within the state that is determined by the Department of Finance to have a civilian unemployment rate that is within the top 25 percent of all census tracts within the state and has a poverty rate within the top 25 percent of all census tracts within the state, as prescribed in Section 13073.5 of the Government Code.

(8) "Economic development area" means either of the following:

(A) A former enterprise zone. For purposes of this section, "former enterprise zone" means an enterprise zone designated and in effect as of December 31, 2011, any enterprise zone designated during 2012, and any revision of an enterprise zone prior to June 30, 2013, under former Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code, as in effect on December 31, 2012, excluding any census tract within an enterprise zone that is identified by the Department of Finance pursuant to Section 13073.5 of the Government Code as a census tract within the lowest quartile of census tracts with the lowest civilian unemployment and poverty.

(B) A local agency military base recovery area designated as of the effective date of the act adding this subparagraph, in accordance with Section 7114 of the Government Code.

(9) "Minimum wage" means the wage established pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(10) (A) "Qualified full-time employee" means an individual who meets all of the following requirements:

(i) Performs at least 50 percent of ~~his or her~~ their services for the qualified taxpayer during the taxable year in a designated census tract or economic development area.

(ii) Receives starting wages that are at least 150 percent of the minimum wage.

(iii) Is hired by the qualified taxpayer on or after January 1, 2014.

(iv) Is hired by the qualified taxpayer after the date the Department of Finance determines that the census tract referred to in clause (i) is a designated census tract or that the census tracts within a former enterprise zone are not census tracts with the lowest civilian unemployment and poverty.

(v) Satisfies either of the following conditions:

(I) Is paid qualified wages by the qualified taxpayer for services not less than an average of 35 hours per week.

(II) Is a salaried employee and was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer.

(vi) Upon commencement of employment with the qualified taxpayer, satisfies any of the following conditions:

(I) Was unemployed for the six months immediately preceding employment with the qualified taxpayer. In the case of an individual that completed a program of study at a college, university, or other postsecondary educational institution, received a baccalaureate, postgraduate, or professional degree, and was unemployed for the six months immediately preceding employment with the qualified taxpayer, that individual



must have completed that program of study at least 12 months prior to the individual's commencement of employment with the qualified taxpayer.

(II) Is a veteran who separated from service in the Armed Forces of the United States within the 12 months preceding commencement of employment with the qualified taxpayer.

(III) Was a recipient of the credit allowed under Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal purposes, for the previous taxable year.

(IV) Is an ex-offender previously convicted of a felony.

(V) Is a recipient of either CalWORKs, in accordance with Article 2 (commencing with Section 11250) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or general assistance, in accordance with Section 17000.5 of the Welfare and Institutions Code.

(B) An individual may be considered a qualified full-time employee only for the period of time commencing with the date the individual is first employed by the qualified taxpayer and ending 60 months thereafter.

(11) (A) "Qualified taxpayer" means a person or entity engaged in a trade or business within a designated census tract or economic development area that, during the taxable year, pays or incurs qualified wages.

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 23626 shall be allowed to the pass-thru entity and passed through to the partners and shareholders in accordance with applicable provisions of this part or Part 11 (commencing with Section 23001). For purposes of this subdivision, the term "pass-thru entity" means any partnership or "S" corporation.

(C) "Qualified taxpayers" shall not include any of the following:

(i) Employers that provide temporary help services, as described in Code 561320 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(ii) Employers that provide retail trade services, as described in Sector 44-45 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iii) Employers that are primarily engaged in providing food services, as described in Code 711110, 722511, 722513, 722514, or 722515 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iv) Employers that are primarily engaged in services as described in Code 713210, 721120, or 722410 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(v) (I) An employer that is a sexually oriented business.

(II) For purposes of this clause:

(ia) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.



(ib) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(D) Subparagraph (C) shall not apply to a taxpayer that is a "small business."

(12) "Qualified wages" means those wages that meet all of the following requirements:

(A) (i) Except as provided in clause (ii), that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds 150 percent of minimum wage, but does not exceed 350 percent of minimum wage.

(ii) (I) In the case of a qualified full-time employee employed in a designated pilot area, that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds ten dollars (\$10) per hour or an equivalent amount for salaried employees, but does not exceed 350 percent of minimum wage. For qualified full-time employees described in the preceding sentence, clause (ii) of subparagraph (A) of paragraph (10) is modified by substituting "ten dollars (\$10) per hour or an equivalent amount for salaried employees" for "150 percent of the minimum wage."

(II) For purposes of this clause:

(ia) "Designated pilot area" means an area designated as a designated pilot area by the Governor's Office of ~~Business and Economic Development~~ Impact.

(ib) Areas that may be designated as a designated pilot area are limited to areas within a designated census tract or an economic development area with average wages less than the statewide average wages, based on information from the Labor Market Division of the Employment Development Department, and areas within a designated census tract or an economic development area based on high poverty or high unemployment.

(ic) The total number of designated pilot areas that may be designated is limited to five, one or more of which must be an area within five or fewer designated census tracts within a single county based on high poverty or high unemployment or an area within an economic development area based on high poverty or high unemployment.

(id) The designation of a designated pilot area shall be applicable for a period of four calendar years, commencing with the first calendar year for which the designation of a designated pilot area is effective. The applicable period of a designated pilot area may be extended, in the sole discretion of the Governor's Office of ~~Business and Economic Development~~ Impact, for an additional period of up to three calendar years. The applicable period, and any extended period, shall not extend beyond December 31, 2020.

(III) The designation of an area as a designated pilot area and the extension of the applicable period of a designated pilot area shall be at the sole discretion of the Governor's Office of ~~Business and Economic Development~~ Impact and shall not be subject to administrative appeal or judicial review.

(B) Wages paid or incurred during the 60-month period beginning with the first day the qualified full-time employee commences employment with the qualified taxpayer. In the case of any employee who is reemployed, including a regularly occurring seasonal increase, in the trade or business operations of the qualified taxpayer,



this reemployment shall not be treated as constituting commencement of employment for purposes of this section.

(C) Except as provided in paragraph (3) of subdivision (n), qualified wages shall not include any wages paid or incurred by the qualified taxpayer on or after the date that the Department of Finance's redesignation of designated census tracts is effective, as provided in paragraph (2) of subdivision (g), so that a census tract is no longer a designated census tract.

(13) "Seasonal employment" means employment by a qualified taxpayer that has regular and predictable substantial reductions in trade or business operations.

(14) (A) "Small business" means a trade or business that has aggregate gross receipts, less returns and allowances reportable to this state, of less than two million dollars (\$2,000,000) during the previous taxable year.

(B) (i) For purposes of this paragraph, "gross receipts, less returns and allowances reportable to this state," means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(ii) In the case of any trade or business activity conducted by a partnership or an "S" corporation, the limitations set forth in subparagraph (A) shall be applied to the partnership or "S" corporation and to each partner or shareholder.

(C) (i) "Small business" shall not include a sexually oriented business.

(ii) For purposes of this subparagraph:

(I) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(II) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(15) An individual is "unemployed" for any period for which the individual is all of the following:

(A) Not in receipt of wages subject to withholding under Section 13020 of the Unemployment Insurance Code for that period.

(B) Not a self-employed individual (within the meaning of Section 401(c)(1)(B) of the Internal Revenue Code, relating to self-employed individual) for that period.

(C) Not a registered full-time student at a high school, college, university, or other postsecondary educational institution for that period.

(c) The net increase in full-time employees of a qualified taxpayer shall be determined as provided by this subdivision:

(1) (A) The net increase in full-time employees shall be determined on an annual full-time equivalent basis by subtracting from the amount determined in subparagraph (C) the amount determined in subparagraph (B).

(B) The total number of full-time employees employed in the base year by the taxpayer and by any trade or business acquired by the taxpayer during the current taxable year.



(C) The total number of full-time employees employed in the current taxable year by the taxpayer and by any trade or business acquired during the current taxable year.

(2) For taxpayers who first commence doing business in this state during the taxable year, the number of full-time employees for the base year shall be zero.

(d) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single taxpayer.

(2) In determining whether the taxpayer has first commenced doing business in this state during the taxable year, the provisions of subdivision (f) of Section 17276, without application of paragraph (7) of that subdivision, shall apply.

(e) (1) To be eligible for the credit allowed by this section, a qualified taxpayer shall, upon hiring a qualified full-time employee, request a tentative credit reservation from the Franchise Tax Board within 30 days of complying with the Employment Development Department's new hire reporting requirements as provided in Section 1088.5 of the Unemployment Insurance Code, in the form and manner prescribed by the Franchise Tax Board.

(2) To obtain a tentative credit reservation with respect to a qualified full-time employee, the qualified taxpayer shall provide necessary information, as determined by the Franchise Tax Board, including the name, social security number, the start date of employment, the rate of pay of the qualified full-time employee, the qualified taxpayer's gross receipts, less returns and allowances, for the previous taxable year, and whether the qualified full-time employee is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013.

(3) The qualified taxpayer shall provide the Franchise Tax Board an annual certification of employment with respect to each qualified full-time employee hired in a previous taxable year, on or before, the 15th day of the third month of the taxable year. The certification shall include necessary information, as determined by the Franchise Tax Board, including the name, social security number, start date of employment, and rate of pay for each qualified full-time employee employed by the qualified taxpayer.

(4) A tentative credit reservation provided to a taxpayer with respect to an employee of that taxpayer shall not constitute a determination by the Franchise Tax Board with respect to any of the requirements of this section regarding a taxpayer's eligibility for the credit authorized by this section.

(f) The Franchise Tax Board shall do all of the following:

(1) Approve a tentative credit reservation with respect to a qualified full-time employee hired during a calendar year.

(2) Determine the aggregate tentative reservation amount and the aggregate small business tentative reservation amount for a calendar year.

(3) A tentative credit reservation request from a qualified taxpayer with respect to a qualified full-time employee who is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013, shall be expeditiously processed by the Franchise Tax Board. The residence of a qualified full-time employee in a targeted employment area shall have no other effect



on the eligibility of an individual as a qualified full-time employee or the eligibility of a qualified taxpayer for the credit authorized by this section.

(4) Notwithstanding Section 19542, provide as a searchable database on its ~~Internet Web site, internet website~~, for each taxable year beginning on or after January 1, 2014, and before January 1, 2026, the employer names, amounts of tax credit claimed, and number of new jobs created for each taxable year pursuant to this section and Section 23626.

(g) (1) The Department of Finance shall, by January 1, 2014, and by January 1 of every fifth year thereafter, provide the Franchise Tax Board with a list of the designated census tracts and a list of census tracts with the lowest civilian unemployment rate.

(2) The redesignation of designated census tracts and lowest civilian unemployment census tracts by the Department of Finance as provided in Section 13073.5 of the Government Code shall be effective, for purposes of this credit, one year after the date the Department of Finance redesignates the designated census tracts.

(h) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single taxpayer.

(2) All employees of trades or businesses that are not incorporated, and that are under common control, shall be treated as employed by a single taxpayer.

(3) The credit, if any, allowable by this section with respect to each trade or business shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated to that trade or business in that manner.

(4) Principles that apply in the case of controlled groups of corporations, as specified in subdivision (h) of Section 23626, shall apply with respect to determining employment.

(5) If an employer acquires the major portion of a trade or business of another employer, hereinafter in this paragraph referred to as the predecessor, or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section, other than subdivision (i), for any taxable year ending after that acquisition, the employment relationship between a qualified full-time employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(i) (1) If the employment of any qualified full-time employee, with respect to whom qualified wages are taken into account under subdivision (a), is terminated by the qualified taxpayer at any time during the first 36 months after commencing employment with the qualified taxpayer, whether or not consecutive, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(2) Paragraph (1) does not apply to any of the following:

(A) A termination of employment of a qualified full-time employee who voluntarily leaves the employment of the qualified taxpayer.



(B) A termination of employment of a qualified full-time employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that employee.

(C) A termination of employment of a qualified full-time employee, if it is determined that the termination was due to the misconduct, as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations, of that employee.

(D) A termination of employment of a qualified full-time employee due to a substantial reduction in the trade or business operations of the qualified taxpayer, including reductions due to seasonal employment.

(E) A termination of employment of a qualified full-time employee, if that employee is replaced by other qualified full-time employees so as to create a net increase in both the number of employees and the hours of employment.

(F) A termination of employment of a qualified full-time employee, when that employment is considered seasonal employment and the qualified employee is rehired on a seasonal basis.

(3) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified full-time employee shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified full-time employee continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(4) An increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(j) In the case of an estate or trust, both of the following apply:

(1) The qualified wages for a taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(2) A beneficiary to whom any qualified wages have been apportioned under paragraph (1) shall be treated, for purposes of this part, as the employer with respect to those wages.

(k) In the case in which the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and the succeeding four years if necessary, until the credit is exhausted.

(l) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(m) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013-14 fiscal year to the 2020-21 fiscal year, inclusive.



(2) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(n) (1) This section shall remain in effect only until December 1, 2029, and as of that date is repealed.

(2) Notwithstanding paragraph (1) of subdivision (a), this section shall continue to be operative for taxable years beginning on or after January 1, 2026, but only with respect to qualified full-time employees who commenced employment with a qualified taxpayer in a designated census tract or economic development area in a taxable year beginning before January 1, 2026.

(3) This section shall remain operative for any qualified taxpayer with respect to any qualified full-time employee after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, for the remaining period, if any, of the 60-month period after the original date of hiring of an otherwise qualified full-time employee and any wages paid or incurred with respect to those qualified full-time employees after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, shall be treated as qualified wages under this section, provided the employee satisfies any other requirements of paragraphs (10) and (12) of subdivision (b), as if the designated census tract was still designated and binding or the economic development area was still in existence.

SEC. 56. Section 17053.95 of the Revenue and Taxation Code is amended to read:

17053.95. (a) (1) For taxable years beginning on or after January 1, 2016, there shall be allowed to a qualified taxpayer a credit against the "net tax," as defined in Section 17039, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 17053.85.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2016, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.



(3) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:

(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature, up to one hundred million dollars (\$100,000,000) in qualified expenditures, or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section or Section 17053.85.

(B) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Twenty-five percent of the qualified expenditures, up to ten million dollars (\$10,000,000), attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed to a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause:

(ia) "Applicable period" means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Lake Castaic, Leo Carillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro Goldwyn Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to music scoring and music track recording by musicians attributable to the production of a qualified motion picture in California.

(iii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(b) For purposes of this section:



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(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (C) of paragraph (3) of subdivision (g).

(5) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit-sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(6) "Independent film" means a motion picture with a minimum budget of one million dollars (\$1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

(7) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraph (D) of paragraph (4) of subdivision (a), as computed by the California Film Commission.

(8) "Licensing" means any grant of rights to distribute the qualified motion picture, in whole or in part.

(9) "New use" means any use of a motion picture in a medium other than the medium for which it was initially created.

(10) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(11) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(12) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.



(13) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(14) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

(15) "Qualified entity" means a personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code, a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

(16) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars (\$1,000,000).

(ii) A movie of the week or miniseries with a minimum production budget of five hundred thousand dollars (\$500,000).

(iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(iv) An independent film.

(v) A television series that relocated to California.

(vi) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars (\$1,000,000).

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) Principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval unless death, disability, or



disfigurement of the director or of a principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster, terrorist activities, or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180-day commencement period.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, one-half hour (air time) episodic television shows, or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(19) (A) "Qualified taxpayer" means a taxpayer who has paid or incurred qualified expenditures, participated in the Career Readiness requirement, and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity, but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-thru entity" means any entity taxed as a partnership or "S" corporation.

(20) "Qualified visual effects" means visual effects where at least 75 percent or a minimum of ten million dollars (\$10,000,000) of the qualified expenditures for the visual effects is paid or incurred in California.

(21) (A) "Qualified wages" means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) "Qualified wages" shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.



(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) "Residual compensation" means supplemental compensation paid at the time that a motion picture is exhibited through new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

(23) "Reuse" means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

(24) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(25) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars (\$1,000,000) per episode, that filmed its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(26) "Visual effects" means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

(c) (1) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (6) of subdivision (b), to an unrelated party.

(2) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(3) In the case where the credit allowed under this section exceeds the "net tax," the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(4) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(5) A party that has acquired tax credits under this subdivision shall be subject to the requirements of this section.

(6) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.



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(7) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(8) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(9) Subdivision (g) of Section 17039 shall not apply to any credit sold pursuant to this subdivision.

(10) For purposes of this subdivision, the unrelated party or parties that purchase a credit pursuant to this subdivision shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(F) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(G) Information to substantiate its qualified expenditures.

(H) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(I) Provides documentation verifying completion of the Career Readiness requirement.

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture other than an independent film, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture other than an independent film, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that



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determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) If the California Film Commission determines that the jobs ratio has been reduced by more than 30 percent for an independent film, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, plus 10 percent of the amount of credit that would otherwise have been allowed, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(D) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall adopt rules and regulations to implement a Career Readiness requirement by which the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach and may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of ~~Business and Economic Development~~ Impact shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (E) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2015-16 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2015-16 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of ~~Business and Economic Development~~ Impact to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing



with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) through (E), inclusive, of paragraph (2), on or after July 1, 2015, and before July 1, 2016, in one or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) On or after July 1, 2016, and before July 1, 2020, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) All members of a combined reporting group, if known at the time of the application.

(vi) Financial information, if available, including, but not limited to, the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections or results, or the functional equivalent of these documents of a partnership or owner of a single member limited liability company that is disregarded pursuant to Section 23038. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(vii) The names of all partners in a partnership not publicly traded or the names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes that have a financial interest in the applicant's qualified motion picture. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(viii) The amount of qualified wages the applicant expects to pay to qualified individuals.

(ix) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(x) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the



qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(xi) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) (i) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(ii) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(iii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iv) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of production facilities in California, and other criteria measuring economic impact in California as determined by the Film Commission.

(v) Notwithstanding any other provision, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, Section 23695, 17053.85, or 23685 shall be issued a credit for each subsequent year, for the life of that television series whenever credits are allocated within a fiscal year.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 23695, and allocate any carryover of unallocated credits from prior years and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure for the amount of qualified expenditures paid or incurred by the applicant, including, but not limited to, updates to the information in subparagraph (A) of paragraph (2) of subdivision (g).

(B) Establish audit requirements that must be satisfied before a credit certificate may be issued by the California Film Commission.

(C) (i) Establish a procedure for a qualified taxpayer to report to the California Film Commission, prior to the issuance of a credit certificate, the following information:

(I) If readily available, a list of the states, provinces, or other jurisdictions in which any member of the applicant's combined reporting group in the same business unit as the qualified taxpayer that, in the preceding calendar year, has produced a qualified motion picture intended for release in the United States market. For purposes of this clause, "qualified motion picture" shall not include any episodes of a television series that were complete or in production prior to July 1, 2016.



(II) Whether a qualified motion picture described in subclause (I) was awarded any financial incentive by the state, province, or other jurisdiction that was predicated on the performance of primary principal photography or postproduction in that location.

(ii) The California Film Commission may provide that the report required by this subparagraph be filed in a single report provided on a calendar year basis for those qualified taxpayers that receive multiple credit certificates in a calendar year.

(D) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown in the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, the applicants, in electronic format when available, including, but not limited to, information provided pursuant to clauses (i) to (xi) inclusive, of subparagraph (A) of paragraph (2).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the board with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its ~~Internet Web site~~ internet website and make available for public release the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record.



(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commissions' Model Film Ordinance. The California Film Commission shall maintain on its ~~Internet Web site~~ internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 23695 is the applicable amount described in the following, plus any amount described in subparagraph (B), (C), or (D):

(i) Two hundred thirty million dollars (\$230,000,000) in credits for the 2015–16 fiscal year.

(ii) Three hundred thirty million dollars (\$330,000,000) in credits for the 2016–17 fiscal year and each fiscal year thereafter, through and including the 2019–20 fiscal year.

(B) The unused allocation credit amount, if any, for the preceding fiscal year.

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(2) (A) Notwithstanding the foregoing, the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films shall be allocated 5 percent of the amount specified in paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 20 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, movies of the week, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1).

(B) Within 60 days after the allocation period, any unused amount within a category or categories shall be first reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated to another category or categories with a higher demand as determined by the California Film Commission.

(C) Notwithstanding the foregoing, the California Film Commission may increase or decrease an allocation amount in subparagraph (A) by 5 percent, if necessary, due to the jobs ratio, the number of applications, or the allocation credit amounts available by category compared to demand.

(D) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be



passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

SEC. 57. Section 17053.98 of the Revenue and Taxation Code is amended to read:

17053.98. (a) (1) For taxable years beginning on or after January 1, 2020, there shall be allowed to a qualified taxpayer a credit against the "net tax," as defined in Section 17039, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 17053.85 or 17053.95.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2020, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be limited to the following amounts of qualified expenditures for each qualified motion picture:

- (i) In the case of a feature, up to one hundred million dollars (\$100,000,000).
- (ii) In the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000).
- (iii) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000) per season.
- (iv) In the case of an independent film, up to ten million dollars (\$10,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:

(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, Section 17053.85, or Section 17053.95.

(B) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.



(C) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures, excluding qualified wages described in subparagraph (E), relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause and subparagraph (E):

(ia) "Applicable period" means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Castaic Lake, Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(E) (i) Notwithstanding subparagraph (D), an amount equal to 10 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A).

(ii) Notwithstanding subparagraph (D), an amount equal to 5 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (B) or (C).

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.



(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (D) of paragraph (3) of subdivision (g).

(5) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit-sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(6) "Independent film" means a motion picture with a minimum budget of one million dollars (\$1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

(7) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraphs (D) and (E) of paragraph (4) of subdivision (a), as computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70 percent of qualified expenditures for visual effects paid to third-party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.

(8) "Licensing" means any grant of rights to distribute the qualified motion picture, in whole or in part.

(9) "New use" means any use of a motion picture in a medium other than the medium for which it was initially created.

(10) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(11) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(12) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(13) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.



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(14) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

(15) "Qualified entity" means a personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code, a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

(16) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars (\$1,000,000).

(ii) A miniseries consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(iv) An independent film.

(v) A television series that relocated to California.

(vi) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars (\$1,000,000).

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) Principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval if the qualified motion picture has a budget with qualified expenditures of less than one hundred million dollars



(\$100,000,000), and no later than 240 days after the date of that approval in the case of a qualified motion picture with a budget of qualified expenditures with at least one hundred million dollars (\$100,000,000), unless death, disability, or disfigurement of the director or of a principal cast member; an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster; terrorist activities; or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180- or 240-day commencement period.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, one-half hour (air time) episodic television shows, or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(19) (A) "Qualified taxpayer" means a taxpayer who has paid or incurred qualified expenditures, participated in the Career Readiness requirement in Section 17053.95, and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity, but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-thru entity" means any entity taxed as a partnership or "S" corporation.

(20) "Qualified visual effects" means visual effects where at least 75 percent or a minimum of ten million dollars (\$10,000,000) of the qualified expenditures for the visual effects is paid or incurred in California.

(21) (A) "Qualified wages" means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.



(B) "Qualified wages" shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) "Residual compensation" means supplemental compensation paid at the time that a motion picture is exhibited through new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

(23) "Reuse" means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

(24) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(25) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars (\$1,000,000) per episode, that filmed at least 75 percent of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(26) "Visual effects" means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

(c) (1) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (6) of subdivision (b), to an unrelated party.

(2) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(3) In the case where the credit allowed under this section exceeds the "net tax," the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(4) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.



(5) A party that has acquired tax credits under this subdivision shall be subject to the requirements of this section.

(6) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(7) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(8) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(9) Subdivision (g) of Section 17039 shall not apply to any credit sold pursuant to this subdivision.

(10) For purposes of this subdivision, the unrelated party or parties that purchase a credit pursuant to this subdivision shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(F) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(G) Information to substantiate its qualified expenditures.

(H) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(I) Documentation verifying completion of the Career Readiness requirement.

(J) Documentation verifying that the qualified taxpayer paid a fee as described in subdivision (e).

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.



(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall adopt rules and regulations to implement a pilot Career Pathways Training program including a fee to be paid by the qualified taxpayer, if the qualified taxpayer receives a credit under this section, to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. The California Film Commission shall (i) identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds; and (ii) engage labor-management jointly administered training programs with skills training focused on the entertainment industry to implement the program with California Film Commission approval and oversight. With regard to the Career Readiness requirement in Section 17053.95, the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach shall continue. The California Film Commission may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of ~~Business and Economic Development~~ Impact shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2020–21 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2020–21 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure



Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of ~~Business and Economic Development~~ Impact to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) through (E), inclusive, of paragraph (2), on or after July 1, 2020, and before July 1, 2025, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) All members of a combined reporting group, if known at the time of the application.

(vi) Financial information, if available, including, but not limited to, the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections or results, or the functional equivalent of these documents of a partnership or owner of a single member limited liability company that is disregarded pursuant to Section 23038. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(vii) The names of all partners in a partnership not publicly traded or the names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes that have a financial interest in the applicant's qualified motion picture. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(viii) The amount of qualified wages the applicant expects to pay to qualified individuals.

(ix) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).



(x) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(xi) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(xii) The ethnic and racial makeup and gender of individuals whose wages are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(xiii) A summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b) and information about how these programs are publicized to interested parties. The officer or executive referenced in clause (x) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission. This clause shall not apply to an applicant with a production that is an independent film as defined in paragraph (6) of subdivision (b).

(xiv) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) (i) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(ii) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(iii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iv) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of scoring musicians in California, and other criteria measuring economic impact in California as determined by the California Film Commission.

(v) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has



been approved and issued a credit allocation by the California Film Commission under this section, Section 23698, 17053.95, 23695, 17053.85, or 23685 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 23698, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 23685, and 23695, and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure for the amount of qualified expenditures paid or incurred by the applicant, including, but not limited to, updates to the information in subparagraph (A) of paragraph (2) of subdivision (g).

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

(C) (i) Establish a procedure for a qualified taxpayer to report to the California Film Commission, prior to the issuance of a credit certificate, the following information:

(I) If readily available, a list of the states, provinces, or other jurisdictions in which any member of the applicant's combined reporting group in the same business unit as the qualified taxpayer that, in the preceding calendar year, has produced a qualified motion picture intended for release in the United States market. For purposes of this clause, "qualified motion picture" shall not include any episodes of a television series that were complete or in production prior to July 1, 2020.

(II) Whether a qualified motion picture described in subclause (I) was awarded any financial incentive by the state, province, or other jurisdiction that was predicated on the performance of primary principal photography or postproduction in that location.

(ii) The California Film Commission may provide that the report required by this subparagraph be filed in a single report provided on a calendar year basis for those qualified taxpayers that receive multiple credit certificates in a calendar year.

(D) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown on the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, the applicants, in electronic format when available, including, but not limited to, information provided pursuant to clauses (i) to (xi) inclusive, of subparagraph (A) of paragraph (2).



(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either:

(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer. For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the California Department of Tax and Fee Administration with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its ~~Internet Web site~~ internet website and make available for public release the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(iii) For qualified taxpayers allocated a credit, the aggregate diversity information collected pursuant to clause (xii) of subparagraph (A) of paragraph (2) of subdivision (g) organized per production and an aggregate compilation describing the voluntary programs collected pursuant to clause (xiii) of subparagraph (A) of paragraph (2) of subdivision (g).



(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record.

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The California Film Commission shall maintain on its ~~Internet Web site~~ internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 23698 is three hundred thirty million dollars (\$330,000,000), plus any amount described in subparagraph (B), (C), (D), or (E) in credits for the 2020–21 fiscal year and each fiscal year thereafter, through and including the 2024–25 fiscal year, except as provided in paragraph (7) of subdivision (g).

(B) (i) Subject to clauses (ii) and (iii), the unused allocation credit amount, if any, for the preceding fiscal year.

(ii) The amount of unused credit allocation attributable to independent films shall only be allocated according to clause (i) of subparagraph (A) of paragraph (2).

(iii) The total amount of any unused credit allocation amount that is remaining shall only be allocated pursuant to clause (iv) of subparagraph (A) of paragraph (2).

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 23685, or 23695 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(2) (A) Notwithstanding the foregoing, the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films with qualified expenditures of ten million dollars (\$10,000,000) or less shall be allocated 4.8 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars (\$10,000,000) shall be allocated 3.2 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 17 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of



subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

(k) Section 41 shall not apply to the credit allowed by this section.

SEC. 58. Section 17059.2 of the Revenue and Taxation Code is amended to read:

17059.2. (a) (1) For each taxable year beginning on and after January 1, 2014, and before January 1, 2030, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount as determined by the committee pursuant to paragraph (2) and approved pursuant to Section 18410.2.

(2) The credit under this section shall be allocated by ~~GO-Biz~~ the Governor's Office of Economic Impact with respect to the 2013–14 fiscal year through and including the 2022–23 fiscal year. The amount of credit allocated to a taxpayer with respect to a fiscal year pursuant to this section shall be as set forth in a written agreement between ~~GO-Biz~~ the Governor's Office of Economic Impact and the taxpayer and shall be based on the following factors:

(A) The number of jobs the taxpayer will create or retain in this state.

(B) The compensation paid or proposed to be paid by the taxpayer to its employees, including wages and fringe benefits.

(C) The amount of investment in this state by the taxpayer.

(D) The extent of unemployment or poverty in the area according to the United States Census in which the taxpayer's project or business is proposed or located.

(E) The incentives available to the taxpayer in this state, including incentives from the state, local government, and other entities.

(F) The incentives available to the taxpayer in other states.

(G) The duration of the proposed project and the duration the taxpayer commits to remain in this state.

(H) The overall economic impact in this state of the taxpayer's project or business.

(I) The strategic importance of the taxpayer's project or business to the state, region, or locality.

(J) The opportunity for future growth and expansion in this state by the taxpayer's business.

(K) The extent to which the anticipated benefit to the state exceeds the projected benefit to the taxpayer from the tax credit.

(L) For a credit allocated beginning with the 2018–19 fiscal year, the training opportunities offered by the taxpayer to its employees.



(3) The written agreement entered into pursuant to paragraph (2) shall include:
(A) Terms and conditions that include the taxable year or years for which the credit allocated shall be allowed, a minimum compensation level, and a minimum job retention period.

(B) Provisions indicating whether the credit is to be allocated in full upon approval or in increments based on mutually agreed upon milestones when satisfactorily met by the taxpayer.

(C) Provisions that allow the committee to recapture the credit, in whole or in part, if the taxpayer fails to fulfill the terms and conditions of the written agreement.

(b) For purposes of this ~~section~~, section, "committee" means the California Competes Tax Credit Committee established pursuant to Section 18410.2.

~~(1) "Committee" means the California Competes Tax Credit Committee established pursuant to Section 18410.2.~~

~~(2) "GO-Biz" means the Governor's Office of Business and Economic Development.~~

(c) For purposes of this section, ~~GO-Biz~~ the Governor's Office of Economic Impact shall do the following:

(1) Give priority to a taxpayer whose project or business is located or proposed to be located in an area of high unemployment or poverty.

(2) Negotiate with a taxpayer the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer.

(3) Provide the negotiated written agreement to the committee for its approval pursuant to Section 18410.2.

(4) Inform the Franchise Tax Board of the terms and conditions of the written agreement upon approval of the written agreement by the committee.

(5) Inform the Franchise Tax Board of any recapture, in whole or in part, of a previously allocated credit upon approval of the recapture by the committee.

(6) Post on its ~~Internet Web site~~ internet website all of the following:

(A) The name of each taxpayer allocated a credit pursuant to this section.

(B) The estimated amount of the investment by each taxpayer.

(C) The estimated number of jobs created or retained.

(D) The amount of the credit allocated to the taxpayer.

(E) The amount of the credit recaptured from the taxpayer, if applicable.

(F) The primary location where the taxpayer has committed to increasing the net number of jobs or make investments. The primary location shall be listed by city or, in the case of unincorporated areas, by county.

(G) Information that identifies each tax credit award that was given a priority for being located in a high unemployment or poverty area, pursuant to paragraph (1).

(7) For allocation periods beginning with the 2018–19 fiscal year, when determining whether to enter into a written agreement with a taxpayer pursuant to this section, ~~GO-Biz~~ the Governor's Office of Economic Impact shall consider the extent to which the credit will influence the taxpayer's ability, willingness, or both, to create jobs in this state that might not otherwise be created in the state by the taxpayer or any other taxpayer. ~~GO-Biz~~ The Governor's Office of Economic Impact may also consider other factors, including, but not limited to, the following:

(A) The financial solvency of the taxpayer and the taxpayer's ability to finance its proposed expansion.



- (B) The taxpayer's current and prior compliance with federal and state laws.
- (C) Current and prior litigation involving the taxpayer.
- (D) The reasonableness of the fee arrangement between the taxpayer and any third party providing any services related to the credit allowed pursuant to this section.
- (E) Any other factors ~~GO-Biz~~ the Governor's Office of Economic Impact deems necessary to ensure that the administration of the credit allowed pursuant to this section is a model of accountability and transparency and that the effective use of the limited amount of credit available is maximized.

(d) For purposes of this section, the Franchise Tax Board shall do all of the following:

(1) (A) Except as provided in subparagraph (B), review the books and records of all taxpayers allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and ~~GO-Biz~~ the Governor's Office of Economic Impact.

(B) In the case of a taxpayer that is a "small business," as defined in Section 17053.73, review the books and records of the taxpayer allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and ~~GO-Biz~~ the Governor's Office of Economic Impact when, in the sole discretion of the Franchise Tax Board, a review of those books and records is appropriate or necessary in the best interests of the state.

(2) Notwithstanding Section 19542, notify ~~GO-Biz~~ the Governor's Office of Economic Impact of a possible breach of the written agreement by a taxpayer and provide detailed information regarding the basis for that determination.

(e) In the case where the credit allowed under this section exceeds the "net tax," as defined in Section 17039, for a taxable year, the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(f) Any recapture, in whole or in part, of a credit approved by the committee pursuant to Section 18410.2 shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from that recapture shall be assessed by the Franchise Tax Board in the same manner as provided by Section 19051. The amount of tax resulting from the recapture shall be added to the tax otherwise due by the taxpayer for the taxable year in which the committee's recapture determination occurred.

(g) (1) The aggregate amount of credit that may be allocated in any fiscal year pursuant to this section and Section 23689 shall be an amount equal to the sum of subparagraphs (A), (B), and (C), less the amount specified in subparagraphs (D) and (E):

(A) Thirty million dollars (\$30,000,000) for the 2013–14 fiscal year, one hundred fifty million dollars (\$150,000,000) for the 2014–15 fiscal year, two hundred million dollars (\$200,000,000) for each fiscal year from 2015–16 to 2017–18, inclusive, and one hundred eighty million dollars (\$180,000,000) for each fiscal year from 2018–19 to 2022–23, inclusive.

(B) The unallocated credit amount, if any, from the preceding fiscal year.

(C) The amount of any previously allocated credits that have been recaptured.

(D) The amount estimated by the Director of Finance, in consultation with the Franchise Tax Board and the California Department of Tax and Fee Administration, to be necessary to limit the aggregation of the estimated amount of exemptions claimed



pursuant to Section 6377.1 and of the amounts estimated to be claimed pursuant to this section and Sections 17053.73, 23626, and 23689 to no more than seven hundred fifty million dollars (\$750,000,000) for either the current fiscal year or the next fiscal year.

(i) The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee of the estimated annual allocation authorized by this paragraph. Any allocation pursuant to these provisions shall be made no sooner than 30 days after written notification has been provided to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or ~~his or her~~ their designee, may determine.

(ii) In no event shall the amount estimated in this subparagraph be less than zero dollars (\$0).

(E) (i) For the 2015–16 fiscal year and each fiscal year thereafter, the amount of credit estimated by the Director of Finance to be allowed to all qualified taxpayers for that fiscal year pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636.

(ii) If the amount available per fiscal year pursuant to this section and Section 23689 is less than the aggregate amount of credit estimated by the Director of Finance to be allowed to qualified taxpayers pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636, the aggregate amount allowed pursuant to Section 23636 shall not be reduced and, in addition to the reduction required by clause (i), the aggregate amount of credit that may be allocated pursuant to this section and Section 23689 for the next fiscal year shall be reduced by the amount of that deficit.

(iii) It is the intent of the Legislature that the reductions specified in this subparagraph of the aggregate amount of credit that may be allocated pursuant to this section and Section 23689 shall continue if the repeal dates of the credits allowed by this section and Section 23689 are removed or extended.

(2) (A) In addition to the other amounts determined pursuant to paragraph (1), the Director of Finance may increase the aggregate amount of credit that may be allocated pursuant to this section and Section 23689 by up to twenty-five million dollars (\$25,000,000) per fiscal year through the 2022–23 fiscal year. The amount of any increase made pursuant to this paragraph, when combined with any increase made pursuant to paragraph (2) of subdivision (g) of Section 23689, shall not exceed twenty-five million dollars (\$25,000,000) per fiscal year through the 2022–23 fiscal year.

(B) It is the intent of the Legislature that the Director of Finance increase the aggregate amount under subparagraph (A) in order to mitigate the reduction of the amount available due to the credit allowed to all qualified taxpayers pursuant to subparagraph (A) or (B) of paragraph (1) of subdivision (c) of Section 23636.

(3) Each fiscal year through the 2017–18 fiscal year, 25 percent of the aggregate amount of the credit that may be allocated pursuant to this section and Section 23689 shall be reserved for small business, as defined in Section 17053.73 or 23626.

(4) Each fiscal year, no more than 20 percent of the aggregate amount of the credit that may be allocated pursuant to this section shall be allocated to any one taxpayer.



(h) ~~GO-Biz~~ The Governor's Office of Economic Impact may prescribe rules and regulations as necessary to carry out the purposes of this section. Any rule or regulation prescribed pursuant to this section may be by adoption of an emergency regulation in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(i) A written agreement between ~~GO-Biz~~ the Governor's Office of Economic Impact and a taxpayer with respect to the credit authorized by this section shall comply with existing law on the date the agreement is executed.

(j) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2029–30 fiscal year, inclusive.

(2) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(k) (1) Notwithstanding Section 19542, on or before October 1, 2019, ~~GO-Biz~~ the Governor's Office of Economic Impact shall provide to the Legislative Analyst's Office a report on the credits allocated pursuant to this section for the 2018–19 fiscal year. This report shall include the following:

(A) A detailed description of the methodology used to evaluate applications and allocate credits as described by Section 8030 of Title 10 of the California Code of Regulations, or any successor regulation.

(B) For each taxpayer that applies for a credit, a list that includes the applicant's name, "aggregate employee compensation," "aggregate investment," and "cost-benefit ratio" as those terms are defined for purposes of, or used in, Section 8030 of Title 10 of the California Code of Regulations.

(C) For each written agreement recommended to the committee pursuant to this section, a detailed justification for ~~GO-Biz's~~ the decision of the Governor's Office of Economic Impact to enter into a written agreement with the taxpayer.

(2) (A) On or before April 1, 2020, the Legislative Analyst's Office shall provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, the budget committees of both houses, and the public with a report evaluating the report required by paragraph (1).

(B) ~~GO-Biz~~, The Governor's Office of Economic Impact, the Franchise Tax Board, and all other relevant state agencies shall provide additional information, as specified by the Legislative Analyst's Office, as needed to research the reports required by this subdivision.

(C) Any information received by the Legislative Analyst's Office pursuant to this subdivision, that has not otherwise been made public, shall be considered confidential taxpayer information subject to Section 19542.

(D) The Legislative Analyst's Office may publish statistics in conjunction with the reports required by this subdivision that are derived from information provided to



the Legislative Analyst's Office pursuant to this section, if the published statistics are aggregated to prevent the identification of particular taxpayers under this part.

(I) This section is repealed on December 1, 2030.

SEC. 59. Section 18410.2 of the Revenue and Taxation Code is amended to read:

18410.2. (a) The California Competes Tax Credit Committee is hereby established. The committee shall consist of the Treasurer, the Director of Finance, and the Director of the Governor's Office of ~~Business and Economic Development~~, Impact, who shall serve as chair of the committee, or their designated representatives, and one appointee each by the Speaker of the Assembly and the Senate Committee on Rules. A Member of the Legislature shall not be appointed.

(b) For purposes of Sections 17059.2 and 23689, the California Competes Tax Credit Committee shall do all of the following:

(1) Approve or reject any written agreement for a tax credit allocation by resolution at a duly noticed public meeting held in accordance with the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code), but only after receipt of the fully executed written agreement between the taxpayer and the Governor's Office of ~~Business and Economic Development~~, Impact.

(2) Approve or reject any recommendation to recapture, in whole or in part, a tax credit allocation by resolution at a duly noticed public meeting held in accordance with the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code), but only after receipt of the recommendation from the Governor's Office of ~~Business and Economic Development~~, Impact pursuant to the terms of the fully executed written agreement.

(c) For purposes of Sections 17059.2 and 23689, the Governor's Office of ~~Business and Economic Development~~, Impact shall provide a member of the committee, or their designated representatives, listed in subdivision (a), upon request of that member, with any information necessary to fulfill their duties or otherwise comply with the requirements of this section. Nothing in this subdivision shall be construed to require the Governor's Office of ~~Business and Economic Development~~, Impact to provide information to the member or their designated representative that the applicant considers to be a trade secret, confidential, privileged, or otherwise exempt from disclosure under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

SEC. 60. Section 23036 of the Revenue and Taxation Code is amended to read:

23036. (a) (1) The term "tax" includes any of the following:

- (A) The tax imposed under Chapter 2 (commencing with Section 23101).
- (B) The tax imposed under Chapter 3 (commencing with Section 23501).
- (C) The tax on unrelated business taxable income, imposed under Section 23731.
- (D) The tax on "S" corporations imposed under Section 23802.

(2) The term "tax" does not include any amount imposed under paragraph (1) of subdivision (e) of Section 24667 or paragraph (2) of subdivision (f) of Section 24667.

(b) For purposes of Article 5 (commencing with Section 18661) of Chapter 2, Article 3 (commencing with Section 19031) of Chapter 4, Article 6 (commencing with Section 19101) of Chapter 4, and Chapter 7 (commencing with Section 19501) of Part



10.2, and for purposes of Sections 18601, 19001, and 19005, the term "tax" also includes all of the following:

(1) The tax on limited partnerships, imposed under Section 17935, the tax on limited liability companies, imposed under Section 17941, and the tax on registered limited liability partnerships and foreign limited liability partnerships imposed under Section 17948.

(2) The alternative minimum tax imposed under Chapter 2.5 (commencing with Section 23400).

(3) The tax on built-in gains of "S" corporations, imposed under Section 23809.

(4) The tax on excess passive investment income of "S" corporations, imposed under Section 23811.

(c) Notwithstanding any other provision of this part, credits are allowed against the "tax" in the following order:

(1) Credits that do not contain carryover provisions.

(2) Credits that, when the credit exceeds the "tax," allow the excess to be carried over to offset the "tax" in succeeding taxable years, except for those credits that are allowed to reduce the "tax" below the tentative minimum tax, as defined by Section 23455. The order of credits within this paragraph shall be determined by the Franchise Tax Board.

(3) The minimum tax credit allowed by Section 23453.

(4) Credits that are allowed to reduce the "tax" below the tentative minimum tax, as defined by Section 23455.

(5) Credits for taxes withheld under Section 18662.

(d) Notwithstanding any other provision of this part, each of the following applies:

(1) A credit may not reduce the "tax" below the tentative minimum tax (as defined by paragraph (1) of subdivision (a) of Section 23455), except the following credits:

(A) The credit allowed by former Section 23601 (relating to solar energy).

(B) The credit allowed by former Section 23601.4 (relating to solar energy).

(C) The credit allowed by former Section 23601.5 (relating to solar energy).

(D) The credit allowed by Section 23609 (relating to research expenditures).

(E) The credit allowed by former Section 23609.5 (relating to clinical testing expenses).

(F) The credit allowed by Section 23610.5 (relating to low-income housing).

(G) The credit allowed by former Section 23612 (relating to sales and use tax credit).

(H) The credit allowed by Section 23612.2 (relating to enterprise zone sales or use tax credit).

(I) The credit allowed by former Section 23612.6 (relating to Los Angeles Revitalization Zone sales tax credit).

(J) The credit allowed by former Section 23622 (relating to enterprise zone hiring credit).

(K) The credit allowed by Section 23622.7 (relating to enterprise zone hiring credit).

(L) The credit allowed by former Section 23623 (relating to program area hiring credit).

(M) The credit allowed by former Section 23623.5 (relating to Los Angeles Revitalization Zone hiring credit).



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(N) The credit allowed by former Section 23625 (relating to Los Angeles Revitalization Zone hiring credit).

(O) The credit allowed by Section 23633 (relating to targeted tax area sales or use tax credit).

(P) The credit allowed by Section 23634 (relating to targeted tax area hiring credit).

(Q) The credit allowed by former Section 23649 (relating to qualified property).

(R) For taxable years beginning on or after January 1, 2011, the credit allowed by Section 23685 (relating to qualified motion pictures).

(S) For taxable years beginning on or after January 1, 2014, the credit allowed by Section 23689 (relating to ~~GO-Biz~~ the Governor's Office of Economic Impact California Competes Tax Credit).

(T) For taxable years beginning on or after January 1, 2016, the credit allowed by Section 23695 (relating to qualified motion pictures).

(U) For taxable years beginning on or after January 1, 2014, the credit allowed by Section 23686 (relating to the College Access Tax Credit Fund).

(V) For taxable years beginning on or after January 1, 2017, the credit allowed by Section 23687 (relating to the College Access Tax Credit Fund).

(2) A credit against the tax may not reduce the minimum franchise tax imposed under Chapter 2 (commencing with Section 23101).

(e) Any credit which is partially or totally denied under subdivision (d) is allowed to be carried over to reduce the "tax" in the following year, and succeeding years if necessary, if the provisions relating to that credit include a provision to allow a carryover of the unused portion of that credit.

(f) Unless otherwise provided, any remaining carryover from a credit that has been repealed or made inoperative is allowed to be carried over under the provisions of that section as it read immediately prior to being repealed or becoming inoperative.

(g) Unless otherwise provided, if two or more taxpayers share in costs that would be eligible for a tax credit allowed under this part, each taxpayer is eligible to receive the tax credit in proportion to ~~his or her~~ their respective share of the costs paid or incurred.

(h) Unless otherwise provided, in the case of an "S" corporation, any credit allowed by this part is computed at the "S" corporation level, and any limitation on the expenses qualifying for the credit or limitation upon the amount of the credit applies to the "S" corporation and to each shareholder.

(i) (1) With respect to any taxpayer that directly or indirectly owns an interest in a business entity that is disregarded for tax purposes pursuant to Section 23038 and any regulations thereunder, the amount of any credit or credit carryforward allowable for any taxable year attributable to the disregarded business entity is limited in accordance with paragraphs (2) and (3).

(2) The amount of any credit otherwise allowed under this part, including any credit carryover from prior years, that may be applied to reduce the taxpayer's "tax," as defined in subdivision (a), for the taxable year is limited to an amount equal to the excess of the taxpayer's regular tax (as defined in Section 23455), determined by including income attributable to the disregarded business entity that generated the credit or credit carryover, over the taxpayer's regular tax (as defined in Section 23455), determined by excluding the income attributable to that disregarded business entity.



A credit is not allowed if the taxpayer's regular tax (as defined in Section 23455), determined by including the income attributable to the disregarded business entity is less than the taxpayer's regular tax (as defined in Section 23455), determined by excluding the income attributable to the disregarded business entity.

(3) If the amount of a credit allowed pursuant to the section establishing the credit exceeds the amount allowable under this subdivision in any taxable year, the excess amount may be carried over to subsequent taxable years pursuant to subdivisions (d), (e), and (f).

(j) (1) Unless otherwise specifically provided, in the case of a taxpayer that is a partner or shareholder of an eligible pass-thru entity described in paragraph (2), any credit passed through to the taxpayer in the taxpayer's first taxable year beginning on or after the date the credit is no longer operative may be claimed by the taxpayer in that taxable year, notwithstanding the repeal of the statute authorizing the credit prior to the close of that taxable year.

(2) For purposes of this subdivision, "eligible pass-thru entity" means any partnership or "S" corporation that files its return on a fiscal year basis pursuant to Section 18566, and that is entitled to a credit pursuant to this part for the taxable year that begins during the last year a credit is operative.

(3) This subdivision applies to credits that become inoperative on or after the operative date of the act adding this subdivision.

SEC. 61. Section 23626 of the Revenue and Taxation Code is amended to read:

23626. (a) (1) For each taxable year beginning on or after January 1, 2014, and before January 1, 2026, there shall be allowed to a qualified taxpayer that hires a qualified full-time employee and pays or incurs qualified wages attributable to work performed by the qualified full-time employee in a designated census tract or economic development area, and that receives a tentative credit reservation for that qualified full-time employee, a credit against the "tax," as defined by Section 23036, in an amount calculated under this section.

(2) The amount of the credit allowable under this section for a taxable year shall be equal to the product of the tentative credit amount for the taxable year and the applicable percentage for the taxable year.

(3) (A) If a qualified taxpayer relocates to a designated census tract or economic development area, the qualified taxpayer shall be allowed a credit with respect to qualified wages for each qualified full-time employee who is employed within the new location only if the qualified taxpayer provides each employee at the previous location or locations a written offer of employment at the new location in the designated census tract or economic development area with comparable compensation.

(B) For purposes of this paragraph, "relocates to a designated census tract or economic development area" means an increase in the number of qualified full-time employees, employed by a qualified taxpayer, within a designated census tract or tracts or economic development areas within a 12-month period in which there is a decrease in the number of full-time employees, employed by the qualified taxpayer in this state, but outside of designated census tracts or economic development areas.

(C) This paragraph does not apply to a small business.

(4) The credit allowed by this section may only be claimed on a timely filed original return of the qualified taxpayer and only with respect to a qualified full-time employee for whom the qualified taxpayer has received a tentative credit reservation.



(b) For purposes of this section:

(1) The "tentative credit amount" for a taxable year shall be equal to the product of the applicable credit percentage for each qualified full-time employee and the qualified wages paid by the qualified taxpayer during the taxable year to that qualified full-time employee.

(2) The "applicable percentage" for a taxable year shall be equal to a fraction, the numerator of which is the net increase in the total number of full-time employees employed in this state during the taxable year, determined on an annual full-time equivalent basis, as compared with the total number of full-time employees employed in this state during the base year, determined on the same basis, and the denominator of which shall be the total number of qualified full-time employees employed in this state during the taxable year. The applicable percentage shall not exceed 100 percent.

(3) The "applicable credit percentage" means the credit percentage for the calendar year during which a qualified full-time employee was first employed by the qualified taxpayer. The applicable credit percentage for all calendar years shall be 35 percent.

(4) "Base year" means the 2013 taxable year, or in the case of a qualified taxpayer who first hires a qualified full-time employee in a taxable year beginning on or after January 2015, the taxable year immediately preceding the taxable year in which the qualified full-time employee was hired.

(5) "Acquired" includes any gift, inheritance, transfer incident to divorce, or any other transfer, whether or not for consideration.

(6) "Annual full-time equivalent" means either of the following:

(A) In the case of a full-time employee paid hourly qualified wages, "annual full-time equivalent" means the total number of hours worked for the qualified taxpayer by the employee (not to exceed 2,000 hours per employee) divided by 2,000.

(B) In the case of a salaried full-time employee, "annual full-time equivalent" means the total number of weeks worked for the qualified taxpayer by the employee divided by 52.

(7) "Designated census tract" means a census tract within the state that is determined by the Department of Finance to have a civilian unemployment rate that is within the top 25 percent of all census tracts within the state and has a poverty rate within the top 25 percent of all census tracts within the state, as prescribed in Section 13073.5 of the Government Code.

(8) "Economic development area" means either of the following:

(A) A former enterprise zone. For purposes of this section, "former enterprise zone" means an enterprise zone designated and in effect as of December 31, 2011, any enterprise zone designated during 2012, and any revision of an enterprise zone prior to June 30, 2013, under former Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code, as in effect on December 31, 2012, excluding any census tract within an enterprise zone that is identified by the Department of Finance pursuant to Section 13073.5 of the Government Code as a census tract within the lowest quartile of census tracts with the lowest civilian unemployment and poverty.

(B) A local agency military base recovery area designated as of the effective date of the act adding this subparagraph, in accordance with Section 7114 of the Government Code.



(9) "Minimum wage" means the wage established pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(10) (A) "Qualified full-time employee" means an individual who meets all of the following requirements:

(i) Performs at least 50 percent of ~~his or her~~ their services for the qualified taxpayer during the taxable year in a designated census tract or economic development area.

(ii) Receives starting wages that are at least 150 percent of the minimum wage.

(iii) Is hired by the qualified taxpayer on or after January 1, 2014.

(iv) Is hired by the qualified taxpayer after the date the Department of Finance determines that the census tract referred to in clause (i) is a designated census tract or that the census tracts within a former enterprise zone are not census tracts with the lowest civilian unemployment and poverty.

(v) Satisfies either of the following conditions:

(I) Is paid qualified wages by the qualified taxpayer for services not less than an average of 35 hours per week.

(II) Is a salaried employee and was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer.

(vi) Upon commencement of employment with the qualified taxpayer, satisfies any of the following conditions:

(I) Was unemployed for the six months immediately preceding employment with the qualified taxpayer. In the case of an individual who completed a program of study at a college, university, or other postsecondary educational institution, received a baccalaureate, postgraduate, or professional degree, and was unemployed for the six months immediately preceding employment with the qualified taxpayer, that individual must have completed that program of study at least 12 months prior to the individual's commencement of employment with the qualified taxpayer.

(II) Is a veteran who separated from service in the Armed Forces of the United States within the 12 months preceding commencement of employment with the qualified taxpayer.

(III) Was a recipient of the credit allowed under Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal purposes, for the previous taxable year.

(IV) Is an ex-offender previously convicted of a felony.

(V) Is a recipient of either CalWORKs, in accordance with Article 2 (commencing with Section 11250) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or general assistance, in accordance with Section 17000.5 of the Welfare and Institutions Code.

(B) An individual may only be considered a qualified full-time employee for the period of time commencing with the date the individual is first employed by the qualified taxpayer and ending 60 months thereafter.

(11) (A) "Qualified taxpayer" means a corporation engaged in a trade or business within designated census tract or economic development area that, during the taxable year, pays or incurs qualified wages.

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit



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under this section or Section 17053.73 shall be allowed to the pass-thru entity and passed through to the partners and shareholders in accordance with applicable provisions of this part or Part 10 (commencing with Section 17001). For purposes of this subdivision, the term "pass-thru entity" means any partnership or "S" corporation.

(C) "Qualified taxpayer" shall not include any of the following:

(i) Employers that provide temporary help services, as described in Code 561320 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(ii) Employers that provide retail trade services, as described in Sector 44-45 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iii) Employers that are primarily engaged in providing food services, as described in Code 711110, 722511, 722513, 722514, or 722515 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iv) Employers that are primarily engaged in services as described in Code 713210, 721120, or 722410 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(v) (I) An employer that is a sexually oriented business.

(II) For purposes of this clause:

(ia) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(ib) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(D) Subparagraph (C) shall not apply to a taxpayer that is a "small business."

(12) "Qualified wages" means those wages that meet all of the following requirements:

(A) (i) Except as provided in clause (ii), that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds 150 percent of minimum wage, but does not exceed 350 percent of the minimum wage.

(ii) (I) In the case of a qualified full-time employee employed in a designated pilot area, that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds ten dollars (\$10) per hour or an equivalent amount for salaried employees, but does not exceed 350 percent of the minimum wage. For qualified full-time employees described in the preceding sentence, clause (ii) of subparagraph (A) of paragraph (10) is modified by substituting "ten dollars (\$10) per hour or an equivalent amount for salaried employees" for "150 percent of the minimum wage."

(II) For purposes of this clause:

(ia) "Designated pilot area" means an area designated as a designated pilot area by the Governor's Office of ~~Business and Economic Development~~. Impact.



(ib) Areas that may be designated as a designated pilot area are limited to areas within a designated census tract or an economic development area with average wages less than the statewide average wages, based on information from the Labor Market Division of the Employment Development Department, and areas within a designated census tract or an economic development area based on high poverty or high unemployment.

(ic) The total number of designated pilot areas that may be designated is limited to five, one or more of which must be an area within five or fewer designated census tracts within a single county based on high poverty or high unemployment or an area within an economic development area based on high poverty or high unemployment.

(id) The designation of a designated pilot area shall be applicable for a period of four calendar years, commencing with the first calendar year for which the designation of a designated pilot area is effective. The applicable period of a designated pilot area may be extended, in the sole discretion of the Governor's Office of ~~Business and Economic Development~~ Impact, for an additional period of up to three calendar years. The applicable period, and any extended period, shall not extend beyond December 31, 2020.

(III) The designation of an area as a designated pilot area and the extension of the applicable period of a designated pilot area shall be at the sole discretion of the Governor's Office of ~~Business and Economic Development~~ Impact and shall not be subject to administrative appeal or judicial review.

(B) Wages paid or incurred during the 60-month period beginning with the first day the qualified full-time employee commences employment with the qualified taxpayer. In the case of any employee who is reemployed, including regularly occurring seasonal increase, in the trade or business operations of the qualified taxpayer, this reemployment shall not be treated as constituting commencement of employment for purposes of this section.

(C) Except as provided in paragraph (3) of subdivision (m), qualified wages shall not include any wages paid or incurred by the qualified taxpayer on or after the date that the Department of Finance's redesignation of designated census tracts is effective, as provided in paragraph (2) of subdivision (g), so that a census tract is no longer determined to be a designated census tract.

(13) "Seasonal employment" means employment by a qualified taxpayer that has regular and predictable substantial reductions in trade or business operations.

(14) (A) "Small business" means a trade or business that has aggregate gross receipts, less returns and allowances reportable to this state, of less than two million dollars (\$2,000,000) during the previous taxable year.

(B) (i) For purposes of this paragraph, "gross receipts, less returns and allowances reportable to this state," means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(ii) In the case of any trade or business activity conducted by a partnership or an "S" corporation, the limitations set forth in subparagraph (A) shall be applied to the partnership or "S" corporation and to each partner or shareholder.

(iii) For taxpayers that are required to be included in a combined report under Section 25101 or authorized to be included in a combined report under Section



25101.15, the dollar amount specified in subparagraph (A) shall apply to the aggregate gross receipts of all taxpayers that are required to be or authorized to be included in a combined report.

(C) (i) "Small business" shall not include a sexually oriented business.

(ii) For purposes of this subparagraph:

(I) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(II) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(15) An individual is "unemployed" for any period for which the individual is all of the following:

(A) Not in receipt of wages subject to withholding under Section 13020 of the Unemployment Insurance Code for that period.

(B) Not a self-employed individual (within the meaning of Section 401(c)(1)(B) of the Internal Revenue Code, relating to self-employed individual) for that period.

(C) Not a registered full-time student at a high school, college, university, or other postsecondary educational institution for that period.

(c) The net increase in full-time employees of a qualified taxpayer shall be determined as provided by this subdivision:

(1) (A) The net increase in full-time employees shall be determined on an annual full-time equivalent basis by subtracting from the amount determined in subparagraph (C) the amount determined in subparagraph (B).

(B) The total number of full-time employees employed in the base year by the taxpayer and by any trade or business acquired by the taxpayer during the current taxable year.

(C) The total number of full-time employees employed in the current taxable year by the taxpayer and by any trade or business acquired during the current taxable year.

(2) For taxpayers who first commence doing business in this state during the taxable year, the number of full-time employees for the base year shall be zero.

(d) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single taxpayer.

(2) In determining whether the taxpayer has first commenced doing business in this state during the taxable year, the provisions of subdivision (g) of Section 24416, without application of paragraph (7) of that subdivision, apply.

(e) (1) To be eligible for the credit allowed by this section, a qualified taxpayer shall, upon hiring a qualified full-time employee, request a tentative credit reservation from the Franchise Tax Board within 30 days of complying with the Employment Development Department's new hire reporting requirement as provided in Section 1088.5 of the Unemployment Insurance Code, in the form and manner prescribed by the Franchise Tax Board.



(2) To obtain a tentative credit reservation with respect to a qualified full-time employee, the qualified taxpayer shall provide necessary information, as determined by the Franchise Tax Board, including the name, the social security number, the start date of employment, the rate of pay of the qualified full-time employee, the qualified taxpayer's gross receipts, less returns and allowances, for the previous taxable year, and whether the qualified full-time employee is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013.

(3) The qualified taxpayer shall provide the Franchise Tax Board an annual certification of employment with respect to each qualified full-time employee hire in a previous taxable year, on or before the 15th day of the third month of the taxable year. The certification shall include necessary information, as determined by the Franchise Tax Board, including the name, social security number, start date of employment, and rate of pay for each qualified full-time employee employed by the qualified taxpayer.

(4) A tentative credit reservation provided to a taxpayer with respect to an employee of that taxpayer shall not constitute a determination by the Franchise Tax Board with respect to any of the requirements of this section regarding a taxpayer's eligibility for the credit authorized by this section.

(f) The Franchise Tax Board shall do all of the following:

(1) Approve a tentative credit reservation with respect to a qualified full-time employee hired during a calendar year.

(2) Determine the aggregate tentative reservation amount and the aggregate small business tentative reservation amount for a calendar year.

(3) A tentative credit reservation request from a qualified taxpayer with respect to a qualified full-time employee who is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013, shall be expeditiously processed by the Franchise Tax Board. The residence of a qualified full-time employee in a targeted employment area shall have no other effect on the eligibility of an individual as a qualified full-time employee or the eligibility of a qualified taxpayer for the credit authorized by this section.

(4) Notwithstanding Section 19542, provide as a searchable database on its ~~Internet Web site~~, internet website for each taxable year beginning on or after January 1, 2014, and before January 1, 2026, the employer names, amounts of tax credit claimed, and number of new jobs created for each taxable year pursuant to this section and Section 17053.73.

(g) (1) The Department of Finance shall, by January 1, 2014, and by January 1 of every fifth year thereafter, provide the Franchise Tax Board with a list of the designated census tracts and a list of census tracts with the lowest civilian unemployment rate.

(2) The redesignation of designated census tracts and lowest civilian unemployment census tracts by the Department of Finance as provided in Section 13073.5 of the Government Code shall be effective, for purposes of this credit, one year after the date that the Department of Finance redesignates the designated census tracts.

(h) (1) For purposes of this section:



(A) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single qualified taxpayer.

(B) All employees of all corporations that are members of the same controlled group of corporations shall be treated as employed by a single qualified taxpayer.

(C) The credit, if any, allowable by this section to each member shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(D) If a qualified taxpayer acquires the major portion of a trade or business of another taxpayer, hereinafter in this paragraph referred to as the predecessor, or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section for any taxable year ending after that acquisition, the employment relationship between a qualified full-time employee and a qualified taxpayer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(2) For purposes of this subdivision, "controlled group of corporations" means a controlled group of corporations as defined in Section 1563(a) of the Internal Revenue Code, except that:

(A) "More than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1) of the Internal Revenue Code.

(B) The determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal Revenue Code.

(3) Rules similar to the rules provided in Sections 46(e) and 46(h) of the Internal Revenue Code, as in effect on November 4, 1990, shall apply to both of the following:

(A) An organization to which Section 593 of the Internal Revenue Code applies.

(B) A regulated investment company or a real estate investment trust subject to taxation under this part.

(i) (1) If the employment of any qualified full-time employee, with respect to whom qualified wages are taken into account under subdivision (a), is terminated by the qualified taxpayer at any time during the first 36 months after commencing employment with the qualified taxpayer, whether or not consecutive, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(2) Paragraph (1) does not apply to any of the following:

(A) A termination of employment of a qualified full-time employee who voluntarily leaves the employment of the qualified taxpayer.

(B) A termination of employment of a qualified full-time employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that employee.

(C) A termination of employment of a qualified full-time employee, if it is determined that the termination was due to the misconduct, as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations, of that employee.



(D) A termination of employment of a qualified full-time employee due to a substantial reduction in the trade or business operations of the qualified taxpayer, including reductions due to seasonal employment.

(E) A termination of employment of a qualified full-time employee, if that employee is replaced by other qualified full-time employees so as to create a net increase in both the number of employees and the hours of employment.

(F) A termination of employment of a qualified full-time employee, when that employment is considered seasonal employment and the qualified employee is rehired on a seasonal basis.

(3) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified full-time employee shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified full-time employee continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(4) An increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(j) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and the succeeding four years if necessary, until exhausted.

(k) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(l) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2020–21 fiscal year, inclusive.

(2) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(m) (1) This section shall remain in effect only until December 1, 2029, and as of that date is repealed.

(2) Notwithstanding paragraph (1) of subdivision (a), this section shall continue to be operative for taxable years beginning on or after January 1, 2026, but only with respect to qualified full-time employees who commenced employment with a qualified taxpayer in a designated census tract or economic development area in a taxable year beginning before January 1, 2026.



(3) This section shall remain operative for any qualified taxpayer with respect to any qualified full-time employee after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, for the remaining period, if any, of the 60-month period after the original date of hiring of an otherwise qualified full-time employee and any wages paid or incurred with respect to those qualified full-time employees after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, shall be treated as qualified wages under this section, provided the employee satisfies any other requirements of paragraphs (10) and (12) of subdivision (b), as if the designated census tract was still designated and binding or the economic development area was still in existence.

SEC. 62. Section 23689 of the Revenue and Taxation Code is amended to read:

23689. (a) (1) For each taxable year beginning on and after January 1, 2014, and before January 1, 2030, there shall be allowed as a credit against the "tax," as defined in Section 23036, an amount as determined by the committee pursuant to paragraph (2) and approved pursuant to Section 18410.2.

(2) The credit under this section shall be allocated by ~~GO-Biz~~ the Governor's Office of Economic Impact with respect to the 2013–14 fiscal year through and including the 2022–23 fiscal year. The amount of credit allocated to a taxpayer with respect to a fiscal year pursuant to this section shall be as set forth in a written agreement between ~~GO-Biz~~ the Governor's Office of Economic Impact and the taxpayer and shall be based on the following factors:

- (A) The number of jobs the taxpayer will create or retain in this state.
 - (B) The compensation paid or proposed to be paid by the taxpayer to its employees, including wages and fringe benefits.
 - (C) The amount of investment in this state by the taxpayer.
 - (D) The extent of unemployment or poverty in the area according to the United States Census in which the taxpayer's project or business is proposed or located.
 - (E) The incentives available to the taxpayer in this state, including incentives from the state, local government, and other entities.
 - (F) The incentives available to the taxpayer in other states.
 - (G) The duration of the proposed project and the duration the taxpayer commits to remain in this state.
 - (H) The overall economic impact in this state of the taxpayer's project or business.
 - (I) The strategic importance of the taxpayer's project or business to the state, region, or locality.
 - (J) The opportunity for future growth and expansion in this state by the taxpayer's business.
 - (K) The extent to which the anticipated benefit to the state exceeds the projected benefit to the taxpayer from the tax credit.
 - (L) For a credit allocated beginning with the 2018–19 fiscal year, the training opportunities offered by the taxpayer to its employees.
- (3) The written agreement entered into pursuant to paragraph (2) shall include:
- (A) Terms and conditions that include the taxable year or years for which the credit allocated shall be allowed, a minimum compensation level, and a minimum job retention period.



(B) Provisions indicating whether the credit is to be allocated in full upon approval or in increments based on mutually agreed upon milestones when satisfactorily met by the taxpayer.

(C) Provisions that allow the committee to recapture the credit, in whole or in part, if the taxpayer fails to fulfill the terms and conditions of the written agreement.

(b) For purposes of this ~~section~~ section, "committee" means the California Competes Tax Credit Committee established pursuant to Section 18410.2.

(1) ~~"Committee"~~ means the California Competes Tax Credit Committee established pursuant to Section 18410.2.

(2) ~~"GO-Biz"~~ means the Governor's Office of Business and Economic Development.

(c) For purposes of this section, ~~GO-Biz~~ the Governor's Office of Economic Impact shall do the following:

(1) Give priority to a taxpayer whose project or business is located or proposed to be located in an area of high unemployment or poverty.

(2) Negotiate with a taxpayer the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer.

(3) Provide the negotiated written agreement to the committee for its approval pursuant to Section 18410.2.

(4) Inform the Franchise Tax Board of the terms and conditions of the written agreement upon approval of the written agreement by the committee.

(5) Inform the Franchise Tax Board of any recapture, in whole or in part, of a previously allocated credit upon approval of the recapture by the committee.

(6) Post on its ~~Internet Web site~~ internet website all of the following:

(A) The name of each taxpayer allocated a credit pursuant to this section.

(B) The estimated amount of the investment by each taxpayer.

(C) The estimated number of jobs created or retained.

(D) The amount of the credit allocated to the taxpayer.

(E) The amount of the credit recaptured from the taxpayer, if applicable.

(F) The primary location where the taxpayer has committed to increasing the net number of jobs or make investments. The primary location shall be listed by city or, in the case of unincorporated areas, by county.

(G) Information that identifies each tax credit award that was given a priority for being located in a high unemployment or poverty area, pursuant to paragraph (1).

(7) For allocation periods beginning with the 2018–19 fiscal year, when determining whether to enter into a written agreement with a taxpayer pursuant to this section, ~~GO-Biz~~ the Governor's Office of Economic Impact shall consider the extent to which the credit will influence the taxpayer's ability, willingness, or both, to create jobs in this state that might not otherwise be created in the state by the taxpayer or any other taxpayer. ~~GO-Biz~~ The Governor's Office of Economic Impact may also consider other factors, including, but not limited to, the following:

(A) The financial solvency of the taxpayer and the taxpayer's ability to finance its proposed expansion.

(B) The taxpayer's current and prior compliance with federal and state laws.

(C) Current and prior litigation involving the taxpayer.

(D) The reasonableness of the fee arrangement between the taxpayer and any third party providing any services related to the credit allowed pursuant to this section.



(E) Any other factors ~~GO-Biz~~ the Governor's Office of Economic Impact deems necessary to ensure that the administration of the credit allowed pursuant to this section is a model of accountability and transparency and that the effective use of the limited amount of credit available is maximized.

(d) For purposes of this section, the Franchise Tax Board shall do all of the following:

(1) (A) Except as provided in subparagraph (B), review the books and records of all taxpayers allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and ~~GO-Biz~~ the Governor's Office of Economic Impact.

(B) In the case of a taxpayer that is a "small business," as defined in Section 23626, review the books and records of the taxpayer allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and ~~GO-Biz~~ the Governor's Office of Economic Impact when, in the sole discretion of the Franchise Tax Board, a review of those books and records is appropriate or necessary in the best interests of the state.

(2) Notwithstanding Section 19542, notify ~~GO-Biz~~ the Governor's Office of Economic Impact of a possible breach of the written agreement by a taxpayer and provide detailed information regarding the basis for that determination.

(e) In the case where the credit allowed under this section exceeds the "tax," as defined in Section 23036, for a taxable year, the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(f) Any recapture, in whole or in part, of a credit approved by the committee pursuant to Section 18410.2 shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from that recapture shall be assessed by the Franchise Tax Board in the same manner as provided by Section 19051. The amount of tax resulting from the recapture shall be added to the tax otherwise due by the taxpayer for the taxable year in which the committee's recapture determination occurred.

(g) (1) The aggregate amount of credit that may be allocated in any fiscal year pursuant to this section and Section 17059.2 shall be an amount equal to the sum of subparagraphs (A), (B), and (C), less the amount specified in subparagraphs (D) and (E):

(A) Thirty million dollars (\$30,000,000) for the 2013–14 fiscal year, one hundred fifty million dollars (\$150,000,000) for the 2014–15 fiscal year, two hundred million dollars (\$200,000,000) for each fiscal year from 2015–16 to 2017–18, inclusive, and one hundred eighty million dollars (\$180,000,000) for each fiscal year from 2018–19 to 2022–23, inclusive.

(B) The unallocated credit amount, if any, from the preceding fiscal year.

(C) The amount of any previously allocated credits that have been recaptured.

(D) The amount estimated by the Director of Finance, in consultation with the Franchise Tax Board and the California Department of Tax and Fee Administration, to be necessary to limit the aggregation of the estimated amount of exemptions claimed pursuant to Section 6377.1 and of the amounts estimated to be claimed pursuant to this section and Sections 17053.73, 17059.2, and 23626 to no more than seven hundred fifty million dollars (\$750,000,000) for either the current fiscal year or the next fiscal year.



(i) The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee of the estimated annual allocation authorized by this paragraph. Any allocation pursuant to these provisions shall be made no sooner than 30 days after written notification has been provided to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or ~~his or her~~ their designee, may determine.

(ii) In no event shall the amount estimated in this subparagraph be less than zero dollars (\$0).

(E) (i) For the 2015–16 fiscal year and each fiscal year thereafter, the amount of credit estimated by the Director of Finance to be allowed to all qualified taxpayers for that fiscal year pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636.

(ii) If the amount available per fiscal year pursuant to this section and Section 17059.2 is less than the aggregate amount of credit estimated by the Director of Finance to be allowed to qualified taxpayers pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636, the aggregate amount allowed pursuant to Section 23636 shall not be reduced and, in addition to the reduction required by clause (i), the aggregate amount of credit that may be allocated pursuant to this section and Section 17059.2 for the next fiscal year shall be reduced by the amount of that deficit.

(iii) It is the intent of the Legislature that the reductions specified in this subparagraph of the aggregate amount of credit that may be allocated pursuant to this section and Section 17059.2 shall continue if the repeal dates of the credits allowed by this section and Section 17059.2 are removed or extended.

(2) (A) In addition to the other amounts determined pursuant to paragraph (1), the Director of Finance may increase the aggregate amount of credit that may be allocated pursuant to this section and Section 17059.2 by up to twenty-five million dollars (\$25,000,000) per fiscal year through the 2022–23 fiscal year. The amount of any increase made pursuant to this paragraph, when combined with any increase made pursuant to paragraph (2) of subdivision (g) of Section 17059.2, shall not exceed twenty-five million dollars (\$25,000,000) per fiscal year through the 2022–23 fiscal year.

(B) It is the intent of the Legislature that the Director of Finance increase the aggregate amount under subparagraph (A) in order to mitigate the reduction of the amount available due to the credit allowed to all qualified taxpayers pursuant to subparagraph (A) or (B) of paragraph (1) of subdivision (c) of Section 23636.

(3) Each fiscal year through the 2017–18 fiscal year, 25 percent of the aggregate amount of the credit that may be allocated pursuant to this section and Section 17059.2 shall be reserved for “small business,” as defined in Section 17053.73 or 23626.

(4) Each fiscal year, no more than 20 percent of the aggregate amount of the credit that may be allocated pursuant to this section shall be allocated to any one taxpayer.

(h) ~~GO-Biz~~ The Governor’s Office of Economic Impact may prescribe rules and regulations as necessary to carry out the purposes of this section. Any rule or regulation prescribed pursuant to this section may be by adoption of an emergency regulation in



accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(i) (1) A written agreement between ~~GO-Biz~~ the Governor's Office of Economic Impact and a taxpayer with respect to the credit authorized by this section shall not restrict, broaden, or otherwise alter the ability of the taxpayer to assign that credit or any portion thereof in accordance with Section 23663.

(2) A written agreement between ~~GO-Biz~~ the Governor's Office of Economic Impact and a taxpayer with respect to the credit authorized by this section must comply with existing law on the date the agreement is executed.

(j) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2029–30 fiscal year, inclusive.

(2) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(k) (1) Notwithstanding Section 19542, on or before October 1, 2019, ~~GO-Biz~~ the Governor's Office of Economic Impact shall provide to the Legislative Analyst's Office a report on the credits allocated pursuant to this section for the 2018–19 fiscal year. This report shall include the following:

(A) A detailed description of the methodology used to evaluate applications and allocate credits as described by Section 8030 of Title 10 of the California Code of Regulations, or any successor regulation.

(B) For each taxpayer that applies for a credit, a list that includes the applicant's name, "aggregate employee compensation," "aggregate investment," and "cost-benefit ratio" as those terms are defined for purposes of, or used in, Section 8030 of Title 10 of the California Code of Regulations.

(C) For each written agreement recommended to the committee pursuant to this section, a detailed justification for ~~GO-Biz's~~ the decision of the Governor's Office of Economic Impact to enter into a written agreement with the taxpayer.

(2) (A) On or before April 1, 2020, the Legislative Analyst's Office shall provide to the Assembly Committee on Revenue and Taxation, the Senate Committee on Governance and Finance, the budget committees of both houses, and the public with a report evaluating the report required by paragraph (1).

(B) ~~GO-Biz~~, The Governor's Office of Economic Impact, the Franchise Tax Board, and all other relevant state agencies shall provide additional information, as specified by the Legislative Analyst's Office, as needed to research the reports required by this subdivision.

(C) Any information received by the Legislative Analyst's Office pursuant to this subdivision, that has not otherwise been made public, shall be considered confidential taxpayer information subject to Section 19542.



(D) The Legislative Analyst's Office may publish statistics in conjunction with the reports required by this subdivision that are derived from information provided to the Legislative Analyst's Office pursuant to this section, if the published statistics are aggregated to prevent the identification of particular taxpayers under this part.

(I) This section is repealed on December 1, 2030.

SEC. 63. Section 23695 of the Revenue and Taxation Code is amended to read:

23695. (a) (1) For taxable years beginning on or after January 1, 2016, there shall be allowed to a qualified taxpayer a credit against the "tax," as defined in Section 23036, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 23685.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2016, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:

(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature, up to one hundred million dollars (\$100,000,000) in qualified expenditures, or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section or Section 23685.

(B) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Twenty-five percent of the qualified expenditures, up to ten million dollars (\$10,000,000), attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed to a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause:



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(ia) "Applicable period" means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Lake Castaic, Leo Carillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro Goldwyn Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to music scoring and music track recording by musicians attributable to the production of a qualified motion picture in California.

(iii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (C) of paragraph (3) of subdivision (g).

(5) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit-sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(6) "Independent film" means a motion picture with a minimum budget of one million dollars (\$1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.



(7) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraph (D) of paragraph (4) of subdivision (a), as computed by the California Film Commission.

(8) "Licensing" means any grant of rights to distribute the qualified motion picture, in whole or in part.

(9) "New use" means any use of a motion picture in a medium other than the medium for which it was initially created.

(10) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(11) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.

(12) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(13) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(14) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

(15) "Qualified entity" means a personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code, a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

(16) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars (\$1,000,000).



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(ii) A movie of the week or miniseries with a minimum production budget of five hundred thousand dollars (\$500,000).

(iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(iv) An independent film.

(v) A television series that relocated to California.

(vi) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars (\$1,000,000).

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) Principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval unless death, disability, or disfigurement of the director or of a principal cast member, an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster, terrorist activities, or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180-day commencement period.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, one-half hour (air time) episodic television shows, or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(19) (A) "Qualified taxpayer" means a taxpayer who has paid or incurred qualified expenditures, participated in the Career Readiness requirement, and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) (i) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity, but shall be passed through to



the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-thru entity" means any entity taxed as a partnership or "S" corporation.

(ii) In the case of an "S" corporation, the credit allowed under this section shall not be used by an "S" corporation as a credit against a tax imposed under Chapter 4.5 (commencing with Section 23800) of Part 11 of Division 2.

(20) "Qualified visual effects" means visual effects where at least 75 percent or a minimum of ten million dollars (\$10,000,000) of the qualified expenditures for the visual effects is paid or incurred in California.

(21) (A) "Qualified wages" means all of the following:

(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) "Qualified wages" shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) "Residual compensation" means supplemental compensation paid at the time that a motion picture is exhibited through new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

(23) "Reuse" means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

(24) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(25) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars (\$1,000,000) per episode, that filmed its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.



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(26) "Visual effects" means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

(c) (1) Notwithstanding subdivision (i) of Section 23036, in the case where the credit allowed by this section exceeds the taxpayer's tax liability computed under this part, a qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations for each taxable year in which the credit is allowed. For purposes of this subdivision, "affiliated corporation" has the meaning provided in subdivision (b) of Section 25110, as that section was amended by Chapter 881 of the Statutes of 1993, as of the last day of the taxable year in which the credit is allowed, except that "100 percent" is substituted for "more than 50 percent" wherever it appears in the section, and "voting common stock" is substituted for "voting stock" wherever it appears in the section.

(2) The election provided in paragraph (1):

(A) May be based on any method selected by the qualified taxpayer that originally receives the credit.

(B) Shall be irrevocable for the taxable year the credit is allowed, once made.

(C) May be changed for any subsequent taxable year if the election to make the assignment is expressly shown on each of the returns of the qualified taxpayer and the qualified taxpayer's affiliated corporations that assign and receive the credits.

(D) Shall be reported to the Franchise Tax Board, in the form and manner specified by the Franchise Tax Board, along with all required information regarding the assignment of the credit, including the corporation number, the federal employer identification number, or other taxpayer identification number of the assignee, and the amount of the credit assigned.

(3) (A) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (6) of subdivision (b), to an unrelated party.

(B) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(4) In the case where the credit allowed under this section exceeds the "tax," the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(5) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(6) A party that has been assigned or acquired tax credits under this subdivision shall be subject to the requirements of this section.



(7) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(8) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(9) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.

(10) Subdivision (i) of Section 23036 shall not apply to any credit sold pursuant to this subdivision.

(11) For purposes of this subdivision:

(A) An affiliated corporation or corporations that are assigned a credit pursuant to paragraph (1) shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(B) The unrelated party or parties that purchase a credit pursuant to paragraphs (3) to (10), inclusive, shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(F) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(G) Information to substantiate its qualified expenditures.

(H) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(I) Provides documentation verifying completion of the Career Readiness requirement.

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture other than an independent film, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the



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California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture other than an independent film, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) If the California Film Commission determines that the jobs ratio has been reduced by more than 30 percent for an independent film, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, plus 10 percent of the amount of credit that would otherwise have been allowed, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(D) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall adopt rules and regulations to implement a Career Readiness requirement by which the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach and may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of ~~Business and Economic Development~~ Impact shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (E) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2015–16 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2015–16 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure



Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of ~~Business and Economic Development~~ Impact to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.

(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) through (E), inclusive, of paragraph (2), on or after July 1, 2015, and before July 1, 2016, in one or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) On or after July 1, 2016, and before July 1, 2020, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) All members of a combined reporting group, if known at the time of the application.

(vi) Financial information, if available, including, but not limited to, the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections or results, or the functional equivalent of these documents of a partnership or owner of a single member limited liability company that is disregarded pursuant to Section 23038. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(vii) The names of all partners in a partnership not publicly traded or the names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes that have a financial interest in the applicant's qualified motion picture. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(viii) The amount of qualified wages the applicant expects to pay to qualified individuals.



(ix) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(x) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(xi) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) (i) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(ii) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(iii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iv) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of production facilities in California, and other criteria measuring economic impact in California as determined by the Film Commission.

(v) Notwithstanding any other provision, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, Section 17053.95, 17053.85, or 23685 shall be issued a credit for each subsequent year, for the life of that television series whenever credits are allocated within a fiscal year.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 17053.95, and allocate any carryover of unallocated credits from prior years and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure for the amount of qualified expenditures paid or incurred by the applicant, including, but not limited to, updates to the information in subparagraph (A) of paragraph (2) of subdivision (g).

(B) Establish audit requirements that must be satisfied before a credit certificate may be issued by the California Film Commission.



(C) (i) Establish a procedure for a qualified taxpayer to report to the California Film Commission, prior to the issuance of a credit certificate, the following information:

(I) If readily available, a list of the states, provinces, or other jurisdictions in which any member of the applicant's combined reporting group in the same business unit as the qualified taxpayer that, in the preceding calendar year, has produced a qualified motion picture intended for release in the United States market. For purposes of this clause, "qualified motion picture" shall not include any episodes of a television series that were complete or in production prior to July 1, 2016.

(II) Whether a qualified motion picture described in subclause (I) was awarded any financial incentive by the state, province, or other jurisdiction that was predicated on the performance of primary principal photography or postproduction in that location.

(ii) The California Film Commission may provide that the report required by this subparagraph be filed in a single report provided on a calendar year basis for those qualified taxpayers that receive multiple credit certificates in a calendar year.

(D) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown in the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, the applicants, in electronic format when available, including, but not limited to, information provided pursuant to clauses (i) to (xi) inclusive, of subparagraph (A) of paragraph (2).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the board with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its ~~Internet Web site~~ internet website and make available for public release the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that



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the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record.

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commissions' Model Film Ordinance. The California Film Commission shall maintain on its ~~Internet Web site~~ internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 17053.95 is the applicable amount described in the following, plus any amount described in subparagraph (B), (C), or (D):

(i) Two hundred thirty million dollars (\$230,000,000) in credits for the 2015–16 fiscal year.

(ii) Three hundred thirty million dollars (\$330,000,000) in credits for the 2016–17 fiscal year and each fiscal year thereafter, through and including the 2019–20 fiscal year.

(B) The unused allocation credit amount, if any, for the preceding fiscal year.

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(2) (A) Notwithstanding the foregoing, the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films shall be allocated 5 percent of the amount specified in paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 20 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, movies of the week, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1).

(B) Within 60 days after the allocation period, any unused amount within a category or categories shall be first reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated to another category or categories with a higher demand as determined by the California Film Commission.

(C) Notwithstanding the foregoing, the California Film Commission may increase or decrease an allocation amount in subparagraph (A) by 5 percent, if necessary, due



to the jobs ratio, the number of applications, or the allocation credit amounts available by category compared to demand.

(D) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

SEC. 64. Section 23698 of the Revenue and Taxation Code is amended to read:

23698. (a) (1) For taxable years beginning on or after January 1, 2020, there shall be allowed to a qualified taxpayer a credit against the "tax," as defined in Section 23036, subject to a computation and ranking by the California Film Commission in subdivision (g) and the allocation amount categories described in subdivision (i), in an amount equal to 20 percent or 25 percent, whichever is the applicable credit percentage described in paragraph (4), of the qualified expenditures for the production of a qualified motion picture in California. A credit shall not be allowed under this section for any qualified expenditures for the production of a motion picture in California if a credit has been claimed for those same expenditures under Section 23685 or 23695.

(2) Except as otherwise provided in this section, the credit shall be allowed for the taxable year in which the California Film Commission issues the credit certificate pursuant to subdivision (g) for the qualified motion picture, but in no instance prior to July 1, 2020, and shall be for the applicable percentage of all qualified expenditures paid or incurred by the qualified taxpayer in all taxable years for that qualified motion picture.

(3) (A) The amount of the credit allowed to a qualified taxpayer shall be limited to the amount specified in the credit certificate issued to the qualified taxpayer by the California Film Commission pursuant to subdivision (g).

(B) In determining the amount specified in the credit certificate in subparagraph (A), the California Film Commission shall be limited to the following amounts of qualified expenditures for each qualified motion picture:

(i) In the case of a feature, up to one hundred million dollars (\$100,000,000).

(ii) In the case of a miniseries described in clause (ii) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000).

(iii) In the case of a television series described in clause (iii) or clause (v) of subparagraph (A) of paragraph (18) of subdivision (b), up to one hundred million dollars (\$100,000,000) per season.

(iv) In the case of an independent film, up to ten million dollars (\$10,000,000).

(4) For purposes of paragraphs (1) and (2), the applicable credit percentage shall be:



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(A) Twenty percent of the qualified expenditures attributable to the production of a qualified motion picture in California, including, but not limited to, a feature or a television series that relocated to California that is in its second or subsequent years of receiving a tax credit allocation pursuant to this section, Section 23685, or Section 23695.

(B) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture in California where the qualified motion picture is a television series that relocated to California in its first year of receiving a tax credit allocation pursuant to this section.

(C) Twenty-five percent of the qualified expenditures attributable to the production of a qualified motion picture that is an independent film.

(D) Additional credits shall be allowed for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A), in an aggregate amount not to exceed 5 percent of the qualified expenditures under that subparagraph, as follows:

(i) (I) Five percent of qualified expenditures, excluding qualified wages described in subparagraph (E), relating to original photography outside the Los Angeles zone.

(II) For purposes of this clause and subparagraph (E):

(ia) "Applicable period" means the period that commences with preproduction and ends when original photography concludes. The applicable period includes the time necessary to strike a remote location and return to the Los Angeles zone.

(ib) "Los Angeles zone" means the area within a circle 30 miles in radius from Beverly Boulevard and La Cienega Boulevard, Los Angeles, California, and includes Agua Dulce, Castaic, including Castaic Lake, Leo Carrillo State Beach, Ontario International Airport, Piru, and Pomona, including the Los Angeles County Fairgrounds. The Metro-Goldwyn-Mayer, Inc. Conejo Ranch property is within the Los Angeles zone.

(ic) "Original photography" includes principal photography and reshooting original footage.

(id) "Qualified expenditures relating to original photography outside the Los Angeles zone" means amounts paid or incurred during the applicable period for tangible personal property purchased or leased and used or consumed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone and qualified wages paid for services performed outside the Los Angeles zone and relating to original photography outside the Los Angeles zone.

(ii) Five percent of the qualified expenditures relating to qualified visual effects attributable to the production of a qualified motion picture in California.

(E) (i) Notwithstanding subparagraph (D), an amount equal to 10 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified motion picture whose applicable credit percentage is determined pursuant to subparagraph (A).

(ii) Notwithstanding subparagraph (D), an amount equal to 5 percent of qualified wages paid for services performed relating to original photography outside of the Los Angeles zone to qualified individuals who reside in California but outside the Los Angeles zone shall be allowed as an additional credit for the production of a qualified



motion picture whose applicable credit percentage is determined pursuant to subparagraph (B) or (C).

(b) For purposes of this section:

(1) "Ancillary product" means any article for sale to the public that contains a portion of, or any element of, the qualified motion picture.

(2) "Budget" means an estimate of all expenses paid or incurred during the production period of a qualified motion picture. It shall be the same budget used by the qualified taxpayer and production company for all qualified motion picture purposes.

(3) "Clip use" means a use of any portion of a motion picture, other than the qualified motion picture, used in the qualified motion picture.

(4) "Credit certificate" means the certificate issued by the California Film Commission pursuant to subparagraph (D) of paragraph (3) of subdivision (g).

(5) (A) "Employee fringe benefits" means the amount allowable as a deduction under this part to the qualified taxpayer involved in the production of the qualified motion picture, exclusive of any amounts contributed by employees, for any year during the production period with respect to any of the following:

(i) Employer contributions under any pension, profit-sharing, annuity, or similar plan.

(ii) Employer-provided coverage under any accident or health plan for employees.

(iii) The employer's cost of life or disability insurance provided to employees.

(B) Any amount treated as wages under clause (i) of subparagraph (A) of paragraph (21) shall not be taken into account under this paragraph.

(6) "Independent film" means a motion picture with a minimum budget of one million dollars (\$1,000,000) that is produced by a company that is not publicly traded and publicly traded companies do not own, directly or indirectly, more than 25 percent of the producing company.

(7) "Jobs ratio" means the amount of qualified wages paid to qualified individuals divided by the amount of tax credit, not including any additional credit allowed pursuant to subparagraphs (D) and (E) of paragraph (4) of subdivision (a), as computed by the California Film Commission. For the purposes of the calculation of the jobs ratio only, 70 percent of qualified expenditures for visual effects paid to third-party vendors for work performed in California shall be deemed to be qualified wages paid to a qualified individual.

(8) "Licensing" means any grant of rights to distribute the qualified motion picture, in whole or in part.

(9) "New use" means any use of a motion picture in a medium other than the medium for which it was initially created.

(10) "Pilot for a new television series" means the initial episode produced for a proposed television series.

(11) (A) "Postproduction" means the final activities in a qualified motion picture's production, including editing, foley recording, automatic dialogue replacement, sound editing, scoring, music track recording by musicians and music editing, beginning and end credits, negative cutting, negative processing and duplication, the addition of sound and visual effects, sound mixing, film-to-tape transfers, encoding, and color correction.

(B) "Postproduction" does not include the manufacture or shipping of release prints or their equivalent.



(12) "Preproduction" means the process of preparation for actual physical production which begins after a qualified motion picture has received a firm agreement of financial commitment, or is greenlit, with, for example, the establishment of a dedicated production office, the hiring of key crew members, and includes, but is not limited to, activities that include location scouting and execution of contracts with vendors of equipment and stage space.

(13) "Principal photography" means the phase of production during which the motion picture is actually shot, as distinguished from preproduction and postproduction.

(14) "Production period" means the period beginning with preproduction and ending upon completion of postproduction.

(15) "Qualified entity" means a personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code, a payroll services corporation, or any entity receiving qualified wages with respect to services performed by a qualified individual.

(16) "Qualified expenditures" means amounts paid or incurred for tangible personal property purchased or leased, and used, within this state in the production of a qualified motion picture and payments, including qualified wages, for services performed within this state in the production of a qualified motion picture.

(17) (A) "Qualified individual" means any individual who performs services during the production period in an activity related to the production of a qualified motion picture.

(B) "Qualified individual" shall not include either of the following:

(i) Any individual related to the qualified taxpayer as described in subparagraph (A), (B), or (C) of Section 51(i)(1) of the Internal Revenue Code.

(ii) Any 5-percent owner, as defined in Section 416(i)(1)(B) of the Internal Revenue Code, of the qualified taxpayer.

(18) (A) "Qualified motion picture" means a motion picture that is produced for distribution to the general public, regardless of medium, that is one of the following:

(i) A feature with a minimum production budget of one million dollars (\$1,000,000).

(ii) A miniseries consisting of two or more episodes, each longer than 40 minutes of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(iii) A new television series of episodes longer than 40 minutes each of running time, exclusive of commercials, that is produced in California, with a minimum production budget of one million dollars (\$1,000,000) per episode.

(iv) An independent film.

(v) A television series that relocated to California.

(vi) A pilot for a new television series that is longer than 40 minutes of running time, exclusive of commercials, that is produced in California, and with a minimum production budget of one million dollars (\$1,000,000).

(B) To qualify as a "qualified motion picture," all of the following conditions shall be satisfied:

(i) At least 75 percent of the principal photography days occur wholly in California or 75 percent of the production budget is incurred for payment for services performed within the state and the purchase or rental of property used within the state.

(ii) Production of the qualified motion picture is completed within 30 months from the date on which the qualified taxpayer's application is approved by the California



Film Commission. For purposes of this section, a qualified motion picture is "completed" when the process of postproduction has been finished.

(iii) The copyright for the motion picture is registered with the United States Copyright Office pursuant to Title 17 of the United States Code.

(iv) Principal photography of the qualified motion picture commences after the date on which the application is approved by the California Film Commission, but no later than 180 days after the date of that approval if the qualified motion picture has a budget with qualified expenditures of less than one hundred million dollars (\$100,000,000), and no later than 240 days after the date of that approval in the case of a qualified motion picture with a budget of qualified expenditures with at least one hundred million dollars (\$100,000,000), unless death, disability, or disfigurement of the director or of a principal cast member; an act of God, including, but not limited to, fire, flood, earthquake, storm, hurricane, or other natural disaster; terrorist activities; or government sanction has directly prevented a production's ability to begin principal photography within the prescribed 180- or 240-day commencement period.

(C) For the purposes of subparagraph (A), in computing the total wages paid or incurred for the production of a qualified motion picture, all amounts paid or incurred by all persons or entities that share in the costs of the qualified motion picture shall be aggregated.

(D) "Qualified motion picture" shall not include commercial advertising, music videos, a motion picture produced for private noncommercial use, such as weddings, graduations, or as part of an educational course and made by students, a news program, current events or public events program, talk show, game show, sporting event or activity, awards show, telethon or other production that solicits funds, reality television program, clip-based programming if more than 50 percent of the content is comprised of licensed footage, documentaries, variety programs, daytime dramas, strip shows, one-half hour (air time) episodic television shows, or any production that falls within the recordkeeping requirements of Section 2257 of Title 18 of the United States Code.

(19) (A) "Qualified taxpayer" means a taxpayer who has paid or incurred qualified expenditures, participated in the Career Readiness requirement in Section 23695 and has been issued a credit certificate by the California Film Commission pursuant to subdivision (g).

(B) (i) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section is not allowed to the pass-thru entity, but shall be passed through to the partners or shareholders in accordance with applicable provisions of Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001). For purposes of this paragraph, "pass-thru entity" means any entity taxed as a partnership or "S" corporation.

(ii) In the case of an "S" corporation, the credit allowed under this section shall not be used by an "S" corporation as a credit against a tax imposed under Chapter 4.5 (commencing with Section 23800) of Part 11 of Division 2.

(20) "Qualified visual effects" means visual effects where at least 75 percent or a minimum of ten million dollars (\$10,000,000) of the qualified expenditures for the visual effects is paid or incurred in California.

(21) (A) "Qualified wages" means all of the following:



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(i) Any wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that were paid or incurred by any taxpayer involved in the production of a qualified motion picture with respect to a qualified individual for services performed on the qualified motion picture production within this state.

(ii) The portion of any employee fringe benefits paid or incurred by any taxpayer involved in the production of the qualified motion picture that are properly allocable to qualified wage amounts described in clauses (i), (iii), and (iv).

(iii) Any payments made to a qualified entity for services performed in this state by qualified individuals within the meaning of paragraph (17).

(iv) Remuneration paid to an independent contractor who is a qualified individual for services performed within this state by that qualified individual.

(B) "Qualified wages" shall not include any of the following:

(i) Expenses, including wages, related to new use, reuse, clip use, licensing, secondary markets, or residual compensation, or the creation of any ancillary product, including, but not limited to, a soundtrack album, toy, game, trailer, or teaser.

(ii) Expenses, including wages, paid or incurred with respect to acquisition, development, turnaround, or any rights thereto.

(iii) Expenses, including wages, related to financing, overhead, marketing, promotion, or distribution of a qualified motion picture.

(iv) Expenses, including wages, paid per person per qualified motion picture for writers, directors, music directors, music composers, music supervisors, producers, and performers, other than background actors with no scripted lines.

(22) "Residual compensation" means supplemental compensation paid at the time that a motion picture is exhibited through new use, reuse, clip use, or in secondary markets, as distinguished from payments made during production.

(23) "Reuse" means any use of a qualified motion picture in the same medium for which it was created, following the initial use in that medium.

(24) "Secondary markets" means media in which a qualified motion picture is exhibited following the initial media in which it is exhibited.

(25) "Television series that relocated to California" means a television series, without regard to episode length or initial media exhibition, with a minimum production budget of one million dollars (\$1,000,000) per episode, that filmed at least 75 percent of principal photography days in its most recent season outside of California or has filmed all seasons outside of California and for which the taxpayer certifies that the credit provided pursuant to this section is the primary reason for relocating to California.

(26) "Visual effects" means the creation, alteration, or enhancement of images that cannot be captured on a set or location during live action photography and therefore is accomplished in postproduction. It includes, but is not limited to, matte paintings, animation, set extensions, computer-generated objects, characters and environments, compositing (combining two or more elements in a final image), and wire removals. "Visual effects" does not include fully animated projects, whether created by traditional or digital means.

(c) (1) Notwithstanding subdivision (i) of Section 23036, in the case where the credit allowed by this section exceeds the taxpayer's tax liability computed under this part, a qualified taxpayer may elect to assign any portion of the credit allowed under this section to one or more affiliated corporations for each taxable year in which the



credit is allowed. For purposes of this subdivision, "affiliated corporation" has the meaning provided in subdivision (b) of Section 25110, as that section was amended by Chapter 881 of the Statutes of 1993, as of the last day of the taxable year in which the credit is allowed, except that "100 percent" is substituted for "more than 50 percent" wherever it appears in the section, and "voting common stock" is substituted for "voting stock" wherever it appears in the section.

(2) The election provided in paragraph (1):

(A) May be based on any method selected by the qualified taxpayer that originally receives the credit.

(B) Shall be irrevocable for the taxable year the credit is allowed, once made.

(C) May be changed for any subsequent taxable year if the election to make the assignment is expressly shown on each of the returns of the qualified taxpayer and the qualified taxpayer's affiliated corporations that assign and receive the credits.

(D) Shall be reported to the Franchise Tax Board, in the form and manner specified by the Franchise Tax Board, along with all required information regarding the assignment of the credit, including the corporation number, the federal employer identification number, or other taxpayer identification number of the assignee, and the amount of the credit assigned.

(3) (A) Notwithstanding any other law, a qualified taxpayer may sell any credit allowed under this section that is attributable to an independent film, as defined in paragraph (6) of subdivision (b), to an unrelated party.

(B) The qualified taxpayer shall report to the Franchise Tax Board prior to the sale of the credit, in the form and manner specified by the Franchise Tax Board, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification number of the unrelated party to whom the credit has been sold, the face amount of the credit sold, and the amount of consideration received by the qualified taxpayer for the sale of the credit.

(4) In the case where the credit allowed under this section exceeds the "tax," the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding eight taxable years, if necessary, until the credit has been exhausted.

(5) A credit shall not be sold pursuant to this subdivision to more than one taxpayer, nor may the credit be resold by the unrelated party to another taxpayer or other party.

(6) A party that has been assigned or acquired tax credits under this subdivision shall be subject to the requirements of this section.

(7) In no event may a qualified taxpayer assign or sell any tax credit to the extent the tax credit allowed by this section is claimed on any tax return of the qualified taxpayer.

(8) In the event that both the taxpayer originally allocated a credit under this section by the California Film Commission and a taxpayer to whom the credit has been sold both claim the same amount of credit on their tax returns, the Franchise Tax Board may disallow the credit of either taxpayer, so long as the statute of limitations upon assessment remains open.

(9) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this subdivision.



(10) Subdivision (i) of Section 23036 shall not apply to any credit sold pursuant to this subdivision.

(11) For purposes of this subdivision:

(A) An affiliated corporation or corporations that are assigned a credit pursuant to paragraph (1) shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(B) The unrelated party or parties that purchase a credit pursuant to paragraphs (3) to (10), inclusive, shall be treated as a qualified taxpayer pursuant to paragraph (1) of subdivision (a).

(d) (1) No credit shall be allowed pursuant to this section unless the qualified taxpayer provides the following to the California Film Commission:

(A) Identification of each qualified individual.

(B) The specific start and end dates of production.

(C) The total wages paid.

(D) The total amount of qualified wages paid to qualified individuals.

(E) The copyright registration number, as reflected on the certificate of registration issued under the authority of Section 410 of Title 17 of the United States Code, relating to registration of claim and issuance of certificate. The registration number shall be provided on the return claiming the credit.

(F) The total amounts paid or incurred to purchase or lease tangible personal property used in the production of a qualified motion picture.

(G) Information to substantiate its qualified expenditures.

(H) Information required by the California Film Commission under regulations promulgated pursuant to subdivision (g) necessary to verify the amount of credit claimed.

(I) Documentation verifying completion of the Career Readiness requirement.

(J) Documentation verifying that the qualified taxpayer paid a fee as described in subdivision (e).

(2) (A) Based on the information provided in paragraph (1), the California Film Commission shall recompute the jobs ratio previously computed in subdivision (g) and compare this recomputed jobs ratio to the jobs ratio that the qualified taxpayer previously listed on the application submitted pursuant to subdivision (g).

(B) (i) If the California Film Commission determines that the jobs ratio has been reduced by more than 10 percent for a qualified motion picture, the California Film Commission shall reduce the amount of credit allowed by an equal percentage, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(ii) If the California Film Commission determines that the jobs ratio has been reduced by more than 20 percent for a qualified motion picture, the California Film Commission shall not accept an application described in subdivision (g) from that qualified taxpayer or any member of the qualified taxpayer's controlled group for a period of not less than one year from the date of that determination, unless the qualified taxpayer demonstrates, and the California Film Commission determines, that reasonable cause exists for the jobs ratio reduction.

(C) For the purposes of this paragraph, "reasonable cause" means unforeseen circumstances beyond the control of the qualified taxpayer, such as, but not limited to, the cancellation of a television series prior to the completion of the scheduled number



of episodes or other similar circumstances as determined by the California Film Commission in regulations to be adopted pursuant to subdivision (e).

(e) (1) (A) Subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), the California Film Commission shall adopt rules and regulations to implement a pilot Career Pathways Training program including a fee to be paid by the qualified taxpayer, if the qualified taxpayer receives a credit under this section, to fund technical skills training to individuals from underserved communities for entry into film and television industry jobs. The California Film Commission shall (i) identify a not-for-profit fiscal agent with direct relationships to industry skills training programs to manage the funds; and (ii) engage labor-management jointly administered training programs with skills training focused on the entertainment industry to implement the program with California Film Commission approval and oversight. With regard to the Career Readiness requirement in Section 23695, the California Film Commission shall identify training and public service opportunities that may include, but not be limited to, hiring interns, public service announcements, and community outreach shall continue. The California Film Commission may prescribe rules and regulations to carry out the purposes of this section, including, subparagraph (D) of paragraph (4) of subdivision (a) and clause (iv) of subparagraph (D) of paragraph (2) of subdivision (g), and including any rules and regulations necessary to establish procedures, processes, requirements, application fee structure, and rules identified in or required to implement this section, including credit and logo requirements and credit allocation procedures over multiple fiscal years where the qualified taxpayer is producing a series of features that will be filmed concurrently.

(B) Notwithstanding any other law, prior to preparing a notice of proposed action pursuant to Section 11346.4 of the Government Code and prior to making any revision to the proposed regulation other than a change that is nonsubstantial or solely grammatical in nature, the Governor's Office of ~~Business and Economic Development~~ Impact shall first approve the proposed regulation or proposed change to a proposed regulation regarding allocating the credit pursuant to subdivision (i), computing the jobs ratio as described in subdivisions (d) and (g), and defining "reasonable cause" pursuant to subparagraph (C) of paragraph (2) of subdivision (d).

(2) (A) Implementation of this section for the 2020–21 fiscal year is deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare and, therefore, the California Film Commission is hereby authorized to adopt emergency regulations to implement this section during the 2020–21 fiscal year in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(B) Nothing in this paragraph shall be construed to require the Governor's Office of ~~Business and Economic Development~~ Impact to approve emergency regulations adopted pursuant to this paragraph.

(3) The California Film Commission shall not be required to prepare an economic impact analysis pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) with regard to any rules and regulations adopted pursuant to this subdivision.



(f) If the qualified taxpayer fails to provide the copyright registration number as required in subparagraph (E) of paragraph (1) of subdivision (d), the credit shall be disallowed and assessed and collected under Section 19051 until the procedures are satisfied.

(g) For purposes of this section, the California Film Commission shall do the following:

(1) Subject to the requirements of subparagraphs (A) through (E), inclusive, of paragraph (2), on or after July 1, 2020, and before July 1, 2025, in two or more allocation periods per fiscal year, allocate tax credits to applicants.

(2) (A) Establish a procedure for applicants to file with the California Film Commission a written application, on a form jointly prescribed by the California Film Commission and the Franchise Tax Board for the allocation of the tax credit. The application shall include, but not be limited to, the following information:

(i) The budget for the motion picture production.

(ii) The number of production days.

(iii) A financing plan for the production.

(iv) The diversity of the workforce employed by the applicant, including, but not limited to, the ethnic and racial makeup of the individuals employed by the applicant during the production of the qualified motion picture, to the extent possible.

(v) All members of a combined reporting group, if known at the time of the application.

(vi) Financial information, if available, including, but not limited to, the most recently produced balance sheets, annual statements of profits and losses, audited or unaudited financial statements, summary budget projections or results, or the functional equivalent of these documents of a partnership or owner of a single member limited liability company that is disregarded pursuant to Section 23038. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(vii) The names of all partners in a partnership not publicly traded or the names of all members of a limited liability company classified as a partnership not publicly traded for California income tax purposes that have a financial interest in the applicant's qualified motion picture. The information provided pursuant to this clause shall be confidential and shall not be subject to public disclosure.

(viii) The amount of qualified wages the applicant expects to pay to qualified individuals.

(ix) The amount of tax credit the applicant computes the qualified motion picture will receive, applying the applicable credit percentages described in paragraph (4) of subdivision (a).

(x) A statement establishing that the tax credit described in this section is a significant factor in the applicant's choice of location for the qualified motion picture. The statement shall include information about whether the qualified motion picture is at risk of not being filmed or specify the jurisdiction or jurisdictions in which the qualified motion picture will be located in the absence of the tax credit. The statement shall be signed by an officer or executive of the applicant.

(xi) The applicant's written policy against unlawful harassment, including, but not limited to, sexual harassment, which includes procedures for reporting and investigating harassment claims, a phone number for an individual who will be



responsible for receiving harassment claims, and a statement that the company will not retaliate against an individual who reports harassment. The applicant shall also indicate how the policy will be distributed to employees and include a summary of education training resources, including the prohibition against, and prevention and correction of, sexual harassment and remedies available.

(xii) The ethnic and racial makeup and gender of individuals whose wages are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b).

(xiii) A summary of the applicant's voluntary programs to increase the representation of minorities and women in the job classifications that are not included in qualified wages as set forth in clause (iv) of subparagraph (B) of paragraph (21) of subdivision (b) and information about how these programs are publicized to interested parties. The officer or executive referenced in clause (x) who is signing the statement shall provide additional information about these programs, if needed and upon request, to the California Film Commission. This clause shall not apply to an applicant with a production that is an independent film as defined in paragraph (6) of subdivision (b).

(xiv) Any other information deemed relevant by the California Film Commission or the Franchise Tax Board.

(B) Establish criteria, consistent with the requirements of this section, for allocating tax credits.

(C) Determine and designate applicants who meet the requirements of this section.

(D) (i) For purposes of allocating the credit amounts subject to the categories described in subdivision (i) in any fiscal year, the California Film Commission shall do all of the following:

(ii) For each allocation date and for each category, list each applicant from highest to lowest according to the jobs ratio as computed by the California Film Commission.

(iii) Subject to the applicable credit percentage, allocate the credit to each applicant according to the highest jobs ratio, working down the list, until the credit amount is exhausted.

(iv) Pursuant to regulations adopted pursuant to subdivision (e), the California Film Commission may increase the jobs ratio by up to 25 percent if a qualified motion picture increases economic activity in California according to criteria developed by the California Film Commission that would include, but not be limited to, such factors as, the amount of the production and postproduction spending in California, the utilization of scoring musicians in California, and other criteria measuring economic impact in California as determined by the California Film Commission.

(v) Notwithstanding any other law, any television series, relocating television series, or any new television series based on a pilot for a new television series that has been approved and issued a credit allocation by the California Film Commission under this section, Section 17053.98, 17053.85, 17053.95, 23685, or 23695 shall be issued a credit for each subsequent season, for the life of that television series whenever credits are allocated within a fiscal year.

(E) Subject to the annual cap and the allocation credit amounts based on categories described in subdivision (i), allocate an aggregate amount of credits under this section and Section 17053.98, and allocate any carryover of unallocated or unused credits from prior years and Sections 17053.85, 17053.95, 23685, and 23695, and the amount of any credits reduced pursuant to paragraph (2) of subdivision (d).



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(3) Certify tax credits allocated to qualified taxpayers.

(A) Establish a verification procedure for the amount of qualified expenditures paid or incurred by the applicant, including, but not limited to, updates to the information in subparagraph (A) of paragraph (2) of subdivision (g).

(B) Establish audit requirements that shall be satisfied before a credit certificate may be issued by the California Film Commission.

(C) (i) Establish a procedure for a qualified taxpayer to report to the California Film Commission, prior to the issuance of a credit certificate, the following information:

(I) If readily available, a list of the states, provinces, or other jurisdictions in which any member of the applicant's combined reporting group in the same business unit as the qualified taxpayer that, in the preceding calendar year, has produced a qualified motion picture intended for release in the United States market. For purposes of this clause, "qualified motion picture" shall not include any episodes of a television series that were complete or in production prior to July 1, 2020.

(II) Whether a qualified motion picture described in subclause (I) was awarded any financial incentive by the state, province, or other jurisdiction that was predicated on the performance of primary principal photography or postproduction in that location.

(ii) The California Film Commission may provide that the report required by this subparagraph be filed in a single report provided on a calendar year basis for those qualified taxpayers that receive multiple credit certificates in a calendar year.

(D) Issue a credit certificate to a qualified taxpayer upon completion of the qualified motion picture reflecting the credit amount allocated after qualified expenditures have been verified and the jobs ratio computed under this section. The amount of credit shown on the credit certificate shall not exceed the amount of credit allocated to that qualified taxpayer pursuant to this section.

(4) Obtain, when possible, the following information from applicants that do not receive an allocation of credit:

(A) Whether the qualified motion picture that was the subject of the application was completed.

(B) If completed, in which state or foreign jurisdiction was the primary principal photography completed.

(C) Whether the applicant received any financial incentives from the state or foreign jurisdiction to make the qualified motion picture in that location.

(5) Provide the Legislative Analyst's Office, upon request, any or all application materials or any other materials received from, or submitted by, the applicants, in electronic format when available, including, but not limited to, information provided pursuant to clauses (i) to (xi) inclusive, of subparagraph (A) of paragraph (2).

(6) The information provided to the California Film Commission pursuant to this section shall constitute confidential tax information for purposes of Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2.

(7) (A) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any previously allocated credits not certified that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(B) For purposes of this section, "previously allocated credits not certified" means either:



(i) Credits allocated under paragraph (1) for which the qualified taxpayer to which the credit amounts were originally allocated has notified the California Film Commission in writing that the qualified taxpayer will not request certification for the allocated credits.

(ii) The difference between the amount of credits allocated under paragraph (1) to a qualified taxpayer and the amount of credits the California Film Commission certified, for that qualified taxpayer. For purposes of calculating the difference, the California Film Commission shall not consider any credit amounts for which the qualified taxpayer notifies the California Film Commission under clause (i).

(8) Notwithstanding any other law, on or after July 1, 2025, the California Film Commission may allocate, pursuant to this section, any credit amounts described in subparagraphs (B) and (E) of paragraph (1) of subdivision (i) that have not previously been added to credit amounts available for allocation under this section or a successor section or sections.

(h) (1) The California Film Commission shall annually provide the Legislative Analyst's Office, the Franchise Tax Board, and the California Department of Tax and Fee Administration with a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission. The list shall include the names and taxpayer identification numbers, including taxpayer identification numbers of each partner or shareholder, as applicable, of the qualified taxpayer.

(2) (A) Notwithstanding paragraph (6) of subdivision (g), the California Film Commission shall annually post on its ~~Internet Web site~~ internet website and make available for public release the following:

(i) A table which includes all of the following information: a list of qualified taxpayers and the tax credit amounts allocated to each qualified taxpayer by the California Film Commission, the number of production days in California the qualified taxpayer represented in its application would occur, the number of California jobs that the qualified taxpayer represented in its application would be directly created by the production, and the total amount of qualified expenditures expected to be spent by the production.

(ii) A narrative staff summary describing the production of the qualified taxpayer as well as background information regarding the qualified taxpayer contained in the qualified taxpayer's application for the credit.

(iii) For qualified taxpayers allocated a credit, the aggregate diversity information collected pursuant to clause (xii) of subparagraph (A) of paragraph (2) of subdivision (g) organized per production and an aggregate compilation describing the voluntary programs collected pursuant to clause (xiii) of subparagraph (A) of paragraph (2) of subdivision (g).

(B) Nothing in this subdivision shall be construed to make the information submitted by an applicant for a tax credit under this section a public record.

(3) The California Film Commission shall provide each city and county in California with an instructional guide that includes, but is not limited to, a review of best practices for facilitating motion picture production in local jurisdictions, resources on hosting and encouraging motion picture production, and the California Film Commission's Model Filming Ordinance. The California Film Commission shall maintain on its ~~Internet Web site~~ internet website a list of initiatives by locality that encourage motion picture production in regions across the state. The list shall be



distributed to each approved applicant for the program to highlight local jurisdictions that offer incentives to facilitate film production.

(i) (1) (A) The aggregate amount of credits that may be allocated for a fiscal year pursuant to this section and Section 17053.98 is three hundred thirty million dollars (\$330,000,000), plus any amount described in subparagraph (B), (C), (D), or (E) in credits for the 2020–21 fiscal year and each fiscal year thereafter, through and including the 2024–25 fiscal year, except as provided in paragraph (7) of subdivision (g).

(B) (i) Subject to clauses (ii) and (iii), the unused allocation credit amount, if any, for the preceding fiscal year.

(ii) The amount of unused credit allocation attributable to independent films shall only be allocated according to clause (i) of subparagraph (A) of paragraph (2).

(iii) The total amount of any unused credit allocation amount that is remaining shall only be allocated pursuant to clause (iv) of subparagraph (A) of paragraph (2).

(C) The amount of previously allocated credits not certified.

(D) The amount of any credits reduced pursuant to paragraph (2) of subdivision (d).

(E) That portion of any unused allocation credit amount, if any, attributable to Section 17053.85, 17053.95, 23685, or 23695 available for that fiscal year in a manner as determined by regulations promulgated by the California Film Commission.

(2) (A) Notwithstanding the foregoing, the California Film Commission shall allocate the credit amounts subject to the following categories:

(i) Independent films with qualified expenditures of ten million dollars (\$10,000,000) or less shall be allocated 4.8 percent of the amount specified in paragraph (1). Independent films with qualified expenditures in excess of ten million dollars (\$10,000,000) shall be allocated 3.2 percent of the amount specified in paragraph (1). These amounts shall be in addition to any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(ii) Features shall be allocated 35 percent of the amount specified in paragraph (1).

(iii) A relocating television series shall be allocated 17 percent of the amount specified in paragraph (1).

(iv) A new television series, pilots for a new television series, miniseries, and recurring television series shall be allocated 40 percent of the amount specified in paragraph (1), plus any unused allocation credit amount, if any, for the preceding fiscal year as described in subparagraph (B) of paragraph (1).

(B) Within any allocation period for credits to a relocating television series, any unused amount shall be reallocated to the category described in clause (iv) of subparagraph (A) and, if any unused amount remains, reallocated in the next allocation period for credits to a relocating television series.

(C) With respect to a relocating television series issued a credit in a subsequent year pursuant to clause (v) of subparagraph (D) of paragraph (2) of subdivision (g), that subsequent credit amount shall be allowed from the allocation amount described in clause (iv) of subparagraph (A).

(3) Any act that reduces the amount that may be allocated pursuant to paragraph (1) constitutes a change in state taxes for the purpose of increasing revenues within the meaning of Section 3 of Article XIII A of the California Constitution and may be



passed by not less than two-thirds of all Members elected to each of the two houses of the Legislature.

(j) The California Film Commission shall have the authority to allocate tax credits in accordance with this section and in accordance with any regulations prescribed pursuant to subdivision (e) upon adoption.

(k) Section 41 shall not apply to the credit allowed by this section.

SEC. 65. Section 34019 of the Revenue and Taxation Code is amended to read:

34019. (a) Beginning with the 2017–18 fiscal year, the Department of Finance shall estimate revenues to be received pursuant to Sections 34011 and 34012 and provide those estimates to the Controller no later than June 15 of each year. The Controller shall use these estimates when disbursing funds pursuant to this section. Before any funds are disbursed pursuant to subdivisions (b), (c), (d), and (e) of this section, the Controller shall disburse from the Tax Fund to the appropriate account, without regard to fiscal year, the following:

(1) Reasonable costs incurred by the board for administering and collecting the taxes imposed by this part; provided, however, such costs shall not exceed 4 percent of tax revenues received.

(2) Reasonable costs incurred by the bureau, the Department of Consumer Affairs, the Department of Food and Agriculture, and the State Department of Public Health for implementing, administering, and enforcing Division 10 (commencing with Section 26000) of the Business and Professions Code to the extent those costs are not reimbursed pursuant to Section 26180 of the Business and Professions Code. This paragraph shall remain operative through the 2022–23 fiscal year.

(3) Reasonable costs incurred by the Department of Fish and Wildlife, the State Water Resources Control Board, and the Department of Pesticide Regulation for carrying out their respective duties under Division 10 (commencing with Section 26000) of the Business and Professions Code to the extent those costs are not otherwise reimbursed.

(4) Reasonable costs incurred by the Controller for performing duties imposed by the Control, Regulate and Tax Adult Use of Marijuana Act, including the audit required by Section 34020.

(5) Reasonable costs incurred by the Department of Finance for conducting the performance audit pursuant to Section 26191 of the Business and Professions Code.

(6) Reasonable costs incurred by the Legislative Analyst's Office for performing duties imposed by Section 34017.

(7) Sufficient funds to reimburse the Division of Labor Standards Enforcement and the Division of Occupational Safety and Health within the Department of Industrial Relations and the Employment Development Department for the costs of applying and enforcing state labor laws to licensees under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(b) The Controller shall next disburse the sum of ten million dollars (\$10,000,000) to a public university or universities in California annually beginning with the 2018–19 fiscal year until the 2028–29 fiscal year to research and evaluate the implementation and effect of the Control, Regulate and Tax Adult Use of Marijuana Act, and shall, if appropriate, make recommendations to the Legislature and Governor regarding possible amendments to the Control, Regulate and Tax Adult Use of Marijuana Act. The recipients of these funds shall publish reports on their findings at a minimum of every



two years and shall make the reports available to the public. The bureau shall select the universities to be funded. The research funded pursuant to this subdivision shall include but not necessarily be limited to:

(1) Impacts on public health, including health costs associated with cannabis use, as well as whether cannabis use is associated with an increase or decrease in use of alcohol or other drugs.

(2) The impact of treatment for maladaptive cannabis use and the effectiveness of different treatment programs.

(3) Public safety issues related to cannabis use, including studying the effectiveness of the packaging and labeling requirements and advertising and marketing restrictions contained in the act at preventing underage access to and use of cannabis and cannabis products, and studying the health-related effects among users of varying potency levels of cannabis and cannabis products.

(4) Cannabis use rates, maladaptive use rates for adults and youth, and diagnosis rates of cannabis-related substance use disorders.

(5) Cannabis market prices, illicit market prices, tax structures and rates, including an evaluation of how to best tax cannabis based on potency, and the structure and function of licensed cannabis businesses.

(6) Whether additional protections are needed to prevent unlawful monopolies or anti-competitive behavior from occurring in the adult-use cannabis industry and, if so, recommendations as to the most effective measures for preventing such behavior.

(7) The economic impacts in the private and public sectors, including, but not necessarily limited to, job creation, workplace safety, revenues, taxes generated for state and local budgets, and criminal justice impacts, including, but not necessarily limited to, impacts on law enforcement and public resources, short and long term consequences of involvement in the criminal justice system, and state and local government agency administrative costs and revenue.

(8) Whether the regulatory agencies tasked with implementing and enforcing the Control, Regulate and Tax Adult Use of Marijuana Act are doing so consistent with the purposes of the act, and whether different agencies might do so more effectively.

(9) Environmental issues related to cannabis production and the criminal prohibition of cannabis production.

(10) The geographic location, structure, and function of licensed cannabis businesses, and demographic data, including race, ethnicity, and gender, of license holders.

(11) The outcomes achieved by the changes in criminal penalties made under the Control, Regulate and Tax Adult Use of Marijuana Act for cannabis-related offenses, and the outcomes of the juvenile justice system, in particular, probation-based treatments and the frequency of up-charging illegal possession of cannabis or cannabis products to a more serious offense.

(c) The Controller shall next disburse the sum of three million dollars (\$3,000,000) annually to the Department of the California Highway Patrol beginning with the 2018–19 fiscal year until the 2022–23 fiscal year to establish and adopt protocols to determine whether a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products, and to establish and adopt protocols setting forth best practices to assist law enforcement agencies. The department



may hire personnel to establish the protocols specified in this subdivision. In addition, the department may make grants to public and private research institutions for the purpose of developing technology for determining when a driver is operating a vehicle while impaired, including impairment by the use of cannabis or cannabis products.

(d) The Controller shall next disburse the sum of ten million dollars (\$10,000,000) beginning with the 2018–19 fiscal year and increasing ten million dollars (\$10,000,000) each fiscal year thereafter until the 2022–23 fiscal year, at which time the disbursement shall be fifty million dollars (\$50,000,000) each year thereafter, to the Governor's Office of ~~Business and Economic Development~~, Impact, in consultation with the Labor and Workforce Development Agency and the State Department of Social Services, to administer a community reinvestments grants program to local health departments and at least 50 percent to qualified community-based nonprofit organizations to support job placement, mental health treatment, substance use disorder treatment, system navigation services, legal services to address barriers to reentry, and linkages to medical care for communities disproportionately affected by past federal and state drug policies. The office shall solicit input from community-based job skills, job placement, and legal service providers with relevant expertise as to the administration of the grants program. In addition, the office shall periodically evaluate the programs it is funding to determine the effectiveness of the programs, shall not spend more than 4 percent for administrative costs related to implementation, evaluation, and oversight of the programs, and shall award grants annually, beginning no later than January 1, 2020.

(e) The Controller shall next disburse the sum of two million dollars (\$2,000,000) annually to the University of California San Diego Center for Medicinal Cannabis Research to further the objectives of the center, including the enhanced understanding of the efficacy and adverse effects of cannabis as a pharmacological agent.

(f) By July 15 of each fiscal year beginning in the 2018–19 fiscal year, the Controller shall, after disbursing funds pursuant to subdivisions (a), (b), (c), (d), and (e), disburse funds deposited in the Tax Fund during the prior fiscal year into sub-trust accounts, which are hereby created, as follows:

(1) Sixty percent shall be deposited in the Youth Education, Prevention, Early Intervention and Treatment Account, and disbursed by the Controller to the State Department of Health Care Services for programs for youth that are designed to educate about and to prevent substance use disorders and to prevent harm from substance use. The State Department of Health Care Services shall enter into interagency agreements with the State Department of Public Health and the State Department of Education to implement and administer these programs. The programs shall emphasize accurate education, effective prevention, early intervention, school retention, and timely treatment services for youth, their families and caregivers. The programs may include, but are not limited to, the following components:

(A) Prevention and early intervention services including outreach, risk survey and education to youth, families, caregivers, schools, primary care health providers, behavioral health and substance use disorder service providers, community and faith-based organizations, ~~fostercare~~ foster care providers, juvenile and family courts, and others to recognize and reduce risks related to substance use, and the early signs of problematic use and of substance use disorders.

(B) Grants to schools to develop and support student assistance programs, or other similar programs, designed to prevent and reduce substance use, and improve



school retention and performance, by supporting students who are at risk of dropping out of school and promoting alternatives to suspension or expulsion that focus on school retention, remediation, and professional care. Schools with higher than average dropout rates should be prioritized for grants.

(C) Grants to programs for outreach, education, and treatment for homeless youth and out-of-school youth with substance use disorders.

(D) Access and linkage to care provided by county behavioral health programs for youth, and their families and caregivers, who have a substance use disorder or who are at risk for developing a substance use disorder.

(E) Youth-focused substance use disorder treatment programs that are culturally and gender competent, trauma-informed, evidence-based and provide a continuum of care that includes screening and assessment (substance use disorder as well as mental health), early intervention, active treatment, family involvement, case management, overdose prevention, prevention of communicable diseases related to substance use, relapse management for substance use and other cooccurring behavioral health disorders, vocational services, literacy services, parenting classes, family therapy and counseling services, medication-assisted treatments, psychiatric medication and psychotherapy. When indicated, referrals must be made to other providers.

(F) To the extent permitted by law and where indicated, interventions shall utilize a two-generation approach to addressing substance use disorders with the capacity to treat youth and adults together. This would include supporting the development of family-based interventions that address substance use disorders and related problems within the context of families, including parents, foster parents, caregivers and all their children.

(G) Programs to assist individuals, as well as families and friends of drug using young people, to reduce the stigma associated with substance use including being diagnosed with a substance use disorder or seeking substance use disorder services. This includes peer-run outreach and education to reduce stigma, anti-stigma campaigns, and community recovery networks.

(H) Workforce training and wage structures that increase the hiring pool of behavioral health staff with substance use disorder prevention and treatment expertise. Provide ongoing education and coaching that increases substance use treatment providers' core competencies and trains providers on promising and evidenced-based practices.

(I) Construction of community-based youth treatment facilities.

(J) The departments may contract with each county behavioral health program for the provision of services.

(K) Funds shall be allocated to counties based on demonstrated need, including the number of youth in the county, the prevalence of substance use disorders among adults, and confirmed through statistical data, validated assessments, or submitted reports prepared by the applicable county to demonstrate and validate need.

(L) The departments shall periodically evaluate the programs they are funding to determine the effectiveness of the programs.

(M) The departments may use up to 4 percent of the moneys allocated to the Youth Education, Prevention, Early Intervention and Treatment Account for administrative costs related to implementation, evaluation, and oversight of the programs.



(N) If the Department of Finance ever determines that funding pursuant to cannabis taxation exceeds demand for youth prevention and treatment services in the state, the departments shall provide a plan to the Department of Finance to provide treatment services to adults as well as youth using these funds.

(O) The departments shall solicit input from volunteer health organizations, physicians who treat addiction, treatment researchers, family therapy and counseling providers, and professional education associations with relevant expertise as to the administration of any grants made pursuant to this paragraph.

(2) Twenty percent shall be deposited in the Environmental Restoration and Protection Account, and disbursed by the Controller as follows:

(A) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the cleanup, remediation, and restoration of environmental damage in watersheds affected by cannabis cultivation and related activities including, but not limited to, damage that occurred prior to enactment of this part, and to support local partnerships for this purpose. The Department of Fish and Wildlife and the Department of Parks and Recreation may distribute a portion of the funds they receive from the Environmental Restoration and Protection Account through grants for purposes specified in this paragraph.

(B) To the Department of Fish and Wildlife and the Department of Parks and Recreation for the stewardship and operation of state-owned wildlife habitat areas and state park units in a manner that discourages and prevents the illegal cultivation, production, sale, and use of cannabis and cannabis products on public lands, and to facilitate the investigation, enforcement, and prosecution of illegal cultivation, production, sale, and use of cannabis or cannabis products on public lands.

(C) To the Department of Fish and Wildlife to assist in funding the watershed enforcement program and multiagency taskforce established pursuant to subdivisions (b) and (c) of Section 12029 of the Fish and Game Code to facilitate the investigation, enforcement, and prosecution of these offenses and to ensure the reduction of adverse impacts of cannabis cultivation, production, sale, and use on fish and wildlife habitats throughout the state.

(D) For purposes of this paragraph, the Secretary of the Natural Resources Agency shall determine the allocation of revenues between the departments. During the first five years of implementation, first consideration should be given to funding purposes specified in subparagraph (A).

(E) Funds allocated pursuant to this paragraph shall be used to increase and enhance activities described in subparagraphs (A), (B), and (C), and not replace allocation of other funding for these purposes. Accordingly, annual General Fund appropriations to the Department of Fish and Wildlife and the Department of Parks and Recreation shall not be reduced below the levels provided in the Budget Act of 2014 (Chapter 25 of the Statutes of 2014).

(3) Twenty percent shall be deposited into the State and Local Government Law Enforcement Account and disbursed by the Controller as follows:

(A) To the Department of the California Highway Patrol for conducting training programs for detecting, testing and enforcing laws against driving under the influence of alcohol and other drugs, including driving under the influence of cannabis. The department may hire personnel to conduct the training programs specified in this subparagraph.



(B) To the Department of the California Highway Patrol to fund internal California Highway Patrol programs and grants to qualified nonprofit organizations and local governments for education, prevention, and enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis; programs that help enforce traffic laws, educate the public in traffic safety, provide varied and effective means of reducing fatalities, injuries, and economic losses from collisions; and for the purchase of equipment related to enforcement of laws related to driving under the influence of alcohol and other drugs, including cannabis.

(C) To the Board of State and Community Corrections for making grants to local governments to assist with law enforcement, fire protection, or other local programs addressing public health and safety associated with the implementation of the Control, Regulate and Tax Adult Use of Marijuana Act. The board shall not make any grants to local governments which have banned the cultivation, including personal cultivation under paragraph (3) of subdivision (b) of Section 11362.2 of the Health and Safety Code, or retail sale of cannabis or cannabis products pursuant to Section 26200 of the Business and Professions Code or as otherwise provided by law.

(D) For purposes of this paragraph, the Department of Finance shall determine the allocation of revenues between the agencies; provided, however, beginning in the 2022–23 fiscal year the amount allocated pursuant to subparagraph (A) shall not be less than ten million dollars (\$10,000,000) annually and the amount allocated pursuant to subparagraph (B) shall not be less than forty million dollars (\$40,000,000) annually. In determining the amount to be allocated before the 2022–23 fiscal year pursuant to this paragraph, the Department of Finance shall give initial priority to subparagraph (A).

(g) Funds allocated pursuant to subdivision (f) shall be used to increase the funding of programs and purposes identified and shall not be used to replace allocation of other funding for these purposes.

(h) Effective July 1, 2028, the Legislature may amend this section by majority vote to further the purposes of the Control, Regulate and Tax Adult Use of Marijuana Act, including allocating funds to programs other than those specified in subdivisions (d) and (f). Any revisions pursuant to this subdivision shall not result in a reduction of funds to accounts established pursuant to subdivisions (d) and (f) in any subsequent year from the amount allocated to each account in the 2027–28 fiscal year. Prior to July 1, 2028, the Legislature may not change the allocations to programs specified in subdivisions (d) and (f).

SEC. 66. Section 335 of the Unemployment Insurance Code is amended to read:

335. The department, in consultation and coordination with the film and movie industry, the Governor's Office of ~~Business and Economic Development~~, Impact, and the California Film Commission shall do all of the following, contingent upon the appropriation of funds in the annual Budget Act for these specified purposes:

(a) Research and maintain data on the employment and output of the film industry, including full-time, part-time, contract, and short duration or single event employees.

(b) Examine the ethnic diversity and representation of minorities in the entertainment industry.

(c) Determine the overall direct and indirect economic impact of the film industry.



(d) Monitor film industry employment and activity in other states and countries that compete with California for film production.

(e) Review the effect that federal and state laws and local ordinances have on the filmed entertainment industry.

(f) Prepare and release biannually a report to the chairpersons of the appropriate Senate and Assembly policy committees that details the information required by this section.

SEC. 67. Section 10200 of the Unemployment Insurance Code is amended to read:

10200. The Legislature finds and declares the following:

(a) California's economy is being challenged by competition from other states and overseas. In order to meet this challenge, California's employers, workers, labor organizations, and government need to invest in a skilled and productive workforce, and in developing the skills of frontline workers. For purposes of this section, "frontline worker" means a worker who directly produces or delivers goods or services.

The purpose of this chapter is to establish a strategically designed employment training program to promote a healthy labor market in a growing, competitive economy that shall fund only projects that meet the following criteria:

(1) Foster creation of high-wage, high-skilled jobs, or foster retention of high-wage, high-skilled jobs in manufacturing and other industries that are threatened by out-of-state and global competition, including, but not limited to, those industries in which targeted training resources for California's small and medium-sized business suppliers will increase the state's competitiveness to secure federal, private sector, and other nonstate funds. In addition, provide for retraining contracts in companies that make a monetary or in-kind contribution to the funded training enhancements.

(2) Encourage industry-based investment in human resources development that promotes the competitiveness of California industry through productivity and product quality enhancements.

(3) Result in secure jobs for those who successfully complete training. All training shall be customized to the specific requirements of one or more employers or a discrete industry and shall include general skills, including soft skills, that trainees can use in the future.

(4) Supplement, rather than displace, funds available through existing programs conducted by employers and government-funded training programs, such as the Workforce Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), the Carl D. Perkins Vocational Education Act (Public Law 98-524), CalWORKs (Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code), the Enterprise Zone Act (Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code), and the McKinney-Vento Homeless Assistance Act (42 U.S.C. Sec. 11301 et seq.), the California Community Colleges Economic Development Program, or apportionment funds allocated to the community colleges, regional occupational centers and programs, or other local educational agencies. In addition, it is further the intention of the Legislature that programs developed pursuant to this chapter shall not replace, parallel, supplant, compete with, or duplicate in any way already existing approved apprenticeship programs.



(b) The Employment Training Panel, in funding projects that meet the requirements of subdivision (a), shall give funding priority to those projects that best meet the following goals:

(1) Result in the growth of the California economy by stimulating exports from the state and the production of goods and services that would otherwise be imported from outside the state.

(2) Train new employees of firms locating or expanding in the state that provide high-skilled, high-wage jobs and are committed to an ongoing investment in the training of frontline workers.

(3) Develop workers with skills that prepare them for the challenges of a high performance workplace of the future.

(4) Train workers who have been displaced, have received notification of impending layoff, or are subject to displacement, because of a plant closure, workforce reduction, changes in technology, or significantly increasing levels of international and out-of-state competition.

(5) Are jointly developed by business management and worker representatives.

(6) Develop career ladders for workers.

(7) Promote the retention and expansion of the state's manufacturing workforce.

(c) The program established through this chapter is to be coordinated with all existing employment training programs and economic development programs, including, but not limited to, programs such as the Workforce Investment Act of 1998 (29 U.S.C. Sec. 2801 et seq.), the California Community Colleges, the regional occupational programs, vocational education programs, joint labor-management training programs, and related programs under the Employment Development Department and the Governor's Office of ~~Business and Economic Development, Impact~~, and the Business, Consumer Services, and Housing Agency.

SEC. 68. Section 10202.5 of the Unemployment Insurance Code is amended to read:

10202.5. (a) The panel shall consist of eight persons, seven of whom shall be appointed as provided in subdivision (b), and shall have experience and a demonstrated interest in business management and employment relations. The Director of the Governor's Office of ~~Business and Economic Development, Impact~~, or ~~his or her~~ their designee, shall also serve on the panel as an ex officio, voting member.

(b) (1) Two members of the panel shall be appointed by the Speaker of the Assembly. One of those members shall be a private sector labor representative and the other member shall be a business representative.

(2) Two members of the panel shall be appointed by the President pro Tempore of the Senate. One of those members shall be a private sector labor representative and the other member shall be a business representative.

(3) Three members of the panel shall be appointed by the Governor. One of those members shall be a private sector labor representative, one member shall be a business representative, and one member shall be a public member.

(4) Labor appointments shall be made from nominations from state labor federations. Business appointments shall be made from nominations from state business organizations and business trade associations.

(5) The Governor shall designate a member to chair the panel, and the person so designated shall serve as the chair of the panel at the pleasure of the Governor.



(c) The appointive members of the panel, except members appointed by the Speaker of the Assembly, shall serve for two-year terms. The appointive members of the panel appointed by the Speaker of the Assembly shall serve at the pleasure of the Speaker of the Assembly.

(d) Appointive members of the panel shall receive the necessary traveling and other expenses incurred by them in the performance of their official duties out of appropriations made for the support of the panel. In addition, each appointive member of the panel shall receive one hundred dollars (\$100) for each day attending meetings of the panel, and may receive one hundred dollars (\$100) for each day spent conducting other official business of the panel, but not exceeding a maximum of three hundred dollars (\$300) per month.

SEC. 69. Section 15002 of the Unemployment Insurance Code is amended to read:

15002. (a) The California Workforce Investment Board (CWIB) shall establish a special committee known as the Green Collar Jobs Council (GCJC), comprised of the appropriate representatives from the CWIB existing membership, including the K-12 representative, the California Community Colleges representative, the Governor's Office of Business and Economic Development Impact representative, the Employment Development Department representative, and other appropriate members. The GCJC may consult with other state agencies, other higher education representatives, local workforce investment boards, and industry representatives as well as philanthropic, nongovernmental, and environmental groups, as appropriate, in the development of a strategic initiative. To the extent private funds are available, is the intent of the Legislature that the GCJC will develop an annual award for outstanding achievement for workforce training programs operated by local or state agencies, businesses, or nongovernment organizations to be named after Parrish R. Collins.

(b) As part of the strategic initiative, the GCJC shall focus on developing the framework, funding, strategies, programs, policies, partnerships, and opportunities necessary to address the growing need for a highly skilled and well-trained workforce to meet the needs of California's emerging green economy. The GCJC shall do all of the following:

(1) Assist in identifying and linking green collar job opportunities with workforce development training opportunities in local workforce investment areas (LWIAs), encouraging regional collaboration among LWIAs to meet regional economic demands.

(2) Align workforce development activities with regional economic recovery and growth strategies.

(3) Develop public, private, philanthropic, and nongovernmental partnerships to build and expand the state's workforce development programs, network, and infrastructure.

(4) Provide policy guidance for job training programs for the clean and green technology sectors to help them prepare specific populations, such as at-risk youth, displaced workers, veterans, formerly incarcerated individuals, and others facing barriers to employment.

(5) Develop, collect, analyze, and distribute statewide and regional labor market data on California's new and emerging green industries workforce needs, trends, and job growth.



(6) Collaborate with community colleges and other educational institutions, registered apprenticeship programs, business and labor organizations, and community-based and philanthropic organizations to align workforce development services with strategies for regional economic growth.

(7) Identify funding resources and make recommendations on how to expand and leverage these funds.

(8) Foster regional collaboratives in the green economic sector.

(c) The CWIB may accept any revenues, moneys, grants, goods, or services from federal and state entities, philanthropic organizations, and other sources, to be used for purposes relating to the administration and implementation of the strategic initiative, as described in subdivision (b). The CWIB shall also ensure the highest level of transparency and accountability and make information available on the CWIB ~~Internet Web site~~ internet website.

(d) Upon appropriation by the Legislature, the department may expend the moneys and revenues received pursuant to subdivision (c) for purposes related to the administration and implementation of the strategic initiative, and for the award of workforce training grants implementing the strategic initiative.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Governor's Office of Economic Impact.

Existing law, the Economic Revitalization Act, establishes the Governor's Office of Business and Economic Development, also known as GO-Biz, under the control of a director, to serve the Governor as the lead entity for economic strategy and authorizes it to undertake specified activities, including, among others, making recommendations to the Governor and the Legislature regarding policies, programs, and actions to advance statewide economic goals and respond to emerging economic problems and opportunities.

This bill would rename the office as the Governor's Office of Economic Impact, and would also make the office be known as O.E.I.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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